A3075-4U 10/87

1986 Financial Analysis of the Motor Carrier Industry

by Henry H. Livingston
Kidder, Peabody & Co. Inc.
of New York

FINANCIAL ANALYSIS OF THE MOTOR CARRIER INDUSTRY

1986

Henry H. Livingston
Kidder, Peabody & Co., Inc.
New York, New York

Table of Contents

Message from ATA 2
About the Author 4

Industry Overview 5

The Structure of the Motor Carrier Industry 8
Organization Chart 8
Map of USA (by ICC regions) 9
Scope of the Analysis 10

Terminology 12

Carrier Group Analyses 15

Composite Carrier Groups: A, B, C & D 16
Financial Data 20

Carrier Group: A 22
Financial Data 24

Carrier Group: B 27
Financial Data 28

Combined Carrier Group: C 32
Financial Data 34

Combined Carrier Group: D 38
Household Goods 39
Heavy Machinery 39
Financial Data 40
Petroleum Products 42
Refrigerated Products 42
Agricultural Products 42
Motor Vehicles 43
Building Materials 43
Other Specialized Carriers 43

Summary Scorecard 45
Scorecard Charts 46

Carrier Performance During 1986 50
Results of Operations of Class I Carriers 51

A MESSAGE FROM ATA

Thomas J. Donohue

It is my pleasure to send you the attached copy of the 1986 Financial Analysis of the Motor Carrier Industry. This 35th edition of the Financial Analysis underscores ATA's commitment to maintaining a valuable flow of data and information between the trucking industry and the financial community on which we depend.

This year's Financial Analysis contains extensive information on the financial posture of trucking companies by size and type, reviewing carrier performance, profitability, liquidity and leverage. It compares 1984 and 1985 results and updates industry performance through the first nine months of 1986. Based on comprehensive, uniform reports carriers submit to the Interstate Commerce Commission, the report details the industry adjustments to the intensely competitive environment of the 1980's, and their recent significant improvements in 1986.

We are privileged this year to have comments from Henry Livingston, Vice President of Kidder, Peabody & Co. Mr. Livingston brings an experienced security analyst's perspective to the financial condition of the motor carrier industry. Having followed the industry from its tightly regulated era (he wrote part of the 1972 Analysis) through the present time provides him with tremendous insight into the industry's transition.

We trust the information continues to be of value to a wide variety the users: bankers; investors; leasing firms; financing companies; insurers; regulators; other government officials; students of transportation; and especially to executives of trucking companies, large and small, old and new.

We welcome your comments and ideas on this 1986 edition of the Financial Analysis of the Motor Carrier Industry. Please write to ATA's Statistical Analysis Department, or to me personally.

Thomas J. Donohue
President and Chief
Executive Officer
American Trucking
Associations, Inc.

ABOUT THE AUTHOR

The Author

Henry H. Livingston is a Vice President of Kidder, Peabody & Co., Incorporated of New York, N.Y. and has been its senior analyst in Surface Transportation since joining a predecessor firm, Clark, Dodge & Co., Inc. in 1963. Kidder, Peabody is a world wide investment banking and brokerage concern, which includes an active role in the trucking industry both as investment banker and brokerage securities research. Its most recent investment banking role was to manage the leveraged buyout of Sun Carriers, Inc. by a management-led investment group.

Henry Livingston is a Chartered Financial Analyst, past President of the Motor Carrier Analysts Group and author of the 1972 Financial Analysis of the Motor Carrier Industry, the first Analysis to be authored by a securities analyst following twenty years of distinguished commercial bankers. Henry recalls that 1972 was a financial highlight for the industry when fourteen trucking companies came public that year for the first time, a record not reached since even though 1986 saw nine new arrivals in the public marketplace.

PAST AUTHORS

1986	Henry H. Livingston Kidder, Peabody & Co. Inc.
1985	William Legg Alex. Brown & Co.
1984	Susan Gregg The First National Bank of Chicago
1982	Patricia Lisciandro The Chase Manhattan Bank, N.A.
1981	Florence W. Liddell Citibank, N.A.
1980	James F. Notman, Jr. The First National Bank of Boston
1979	John F. Macon II First Interstate Bank of California
1978	G. Barry Kohler Bank of America, N.T. & S.A.
1977	R. Stephen Hannahs Joseph Tune The First National Bank of Chicago
1976	Emery White The Chase Manhattan Bank, N.A.
1975	David W. Kruger The First National Bank of Boston
1974	Peter D. Horne Continental Illinois National Bank and Trust Company of Chicago
1973	Michael A. Gaffigan Harry L. Hatton Central National Bank in Chicago
1972	Henry H. Livingston Clark, Dodge & Co.
1971	Robert S. Williams First National Bank of Dallas
1970	Peter S. Douglas The Chase Manhattan Bank
1969	Marvin D. Juliar First Nation Bank of Chicago
1968	Edward A. Eyre First Interstate Bank of California
1967	Laurence A. Pierce The First National Bank of Boston
1966	Arthur J. Bruen, Jr. Continental Illinois National Bank and Trust Company of Chicago
1965	George H. Boggs Citizens & Southern National Bank
1964	Harvey R. Mitchell, Jr. Republic National Bank of Dallas
1963	Albert W. Ambs Citibank, N.A.
1962	John W. Jalonen Bank of America, N.T. & S.A.
1961	Kenneth W. Anderson First Interstate Bank of California
1960	Frank C. Rathje, Jr. Continental Illinois National Bank and Trust Company of Chicago
1959	John F. Blomquist Central National Bank in Chicago
1955-58	Henry Bowen The First National Bank of Boston
1951-52	Archie K. Davis Wachovia Bank and Trust Company for Robert Morris Associates

INDUSTRY OVERVIEW

While some segments of the motor carrier industry had a good year in 1985, many others did not. It was a year of widening separation between the strong carriers and those less fortunate. However, on balance, we see 1985 as considerably better than the uncertainties of early deregulation in 1981 and the deep recession that immediately followed in 1982 and 1983. In 1985 many carriers were able to consolidate the gains they made in 1984 from the economic recovery and the rapid introduction of more efficient tractor and trailers.

While 1984 was a first year of real recovery from the near depression, it was more a year of solid achievement in developing the new business opportunities unfolding from deregulation - a year that also saw exceptional gains in the reappearance of some real growth for those carriers that could convert flexible pricing into new opportunities. A quantum leap forward in more professional business management, and more sophistication in computer-supported marketing and costing business development, together set the stage for further appreciation of equity values and a resurgence of the investor appeal for several of the stocks not seen since 1978. Chart 1 shows the relative performance of the group of truck stocks compared to the Standard & Poors 500, accelerating strongly from 1980 to 1983, and, after some falloff, from mid-1984 to the latter part of 1986.

Many carriers could not escape the vagaries of a still vaciliating economic environment. Following the sharp recovery of 1984, the economy was quietly taking on a new course, that of shorter cyclical changes - self correction more often as inflation came down. The multiple hardships of a dated industrial and agricultural America gradualiy began to contain the worst of its declining relative presence in world economic activity.

In his message entitled "Trucking and the Economy" (p.5 of the 1984 "Analysis"), Mr. Legg comments at length on the short term changes in inventory levels and hence truck traffic. In 1985, the growing acceptance of "Just in Time" demands by shippers on their carriers and the obvious reduction in goods bought for inventory together acted to stabilize in part the **steadiness** rather than the jerkiness in the flows. The freight shipping public, with its new-found power to use carrier competition to get better, more reliable service from those capable of providing it - and at a time when decline in inflation reduced the incentive to produce goods to sell at a higher inflated price later - motor carrier service achieved new highs in consistently impeccable service from those carriers who could deliver it day in and day out.

Those carriers who were to continue this high standard also had to make money to perpetuate their success. Never had trucking managements been faced with such an awesome combination of service demands and opportunities together, or for more sophisticated marketing - pricing - costing business intelligence necessary to deliver the service and to price aggressively, and to also enhance the bottom line to make it all last.

While 1986 is a year for the next author of this Analysis to write, having been through most of it at this writing, we believe it will be another year of some motor carrier growth. Rate discounting continued at a dangerously high level in 1986. In some cases it seemed that business rivalry replaced discretion for cost controls.

Now that 1986 has become history, the perennial optimistic forecasts including that for 1986 made in the previous analysis for real GNP to grow at 3.5% again has not happened. The result in 1986 has turned out to be a solid, plodding, relentlessly flat 2.7% growth (and 0.1% less than 1985's growth). We note much of American industry has managed to prosper within this slow over-all growth rate. While it would be nice and easy to have an increase in 1987 over 1986, we remain wary about expecting it. We also believe that the U.S. has learned to live with a continuing low rate of real economic growth. But, the overall business strength among the nation's shippers is there, and the vital role truck operations play in our economy are still solidly embedded.

We note that the American Trucking Associations' Weekly Index of Less Than Truckload tonnages throughout 1986 exceeded the growth in real GNP. While the Truckload index showed declines we suspect much of the tonnage handled by the purely truckload general commodities carriers is missing from the survey, and that a growing portion of this truckload tonnage has been attracted from private carriage tonnage into the for-hire sectors.

Chart 2 shows the growth in general freight carrier tonnage as measured by ATA's Monthly Truck Tonnage Index. After falling off during the second half of 1984, it accelerated during virtually all of 1985, reaching the mid-year 1984 peak by year end 1985 in the index from early 1985, then continuing to grow into 1986. The pace of growth, in an otherwise sluggish economy, relates to better than average business in smaller size shipments (i.e., the just-in-time inventory philosophy continuing to gain acceptance), and increased traffic from marginal private carriers who are finding the rates of for-hire firms as low if not lower than internal costs, plus service on par with what they themselves could provide.

Expenses

1985 was the last year of the high fuel prices. Early in 1986, as the OPEC cartel lost some clout, fuel prices have fallen rapidly from previous levels.

In 1985 the industry came under an explosion in insurance costs as company by company premiums shot up at renewal times. Several carriers with less than perfect liability exposure couldn't secure insurance; others began to develop some form of self-insurance. This problem remained in 1986, but the cost escalations began to peak out as that cycle started to change course. Those carriers with impeccable claims experience fared better than the rest.

The new labor contract for 1985 - 1988 brought back relatively modest annual increases in basic wage rates, totalling about 9.5% for the three-year period. Significant

offsets to this wage escalation were generated by the lower wage rates for new hires and casuals. Those carriers with real growth as opposed to no-growth had more advantage from a greater proportion of new hires added to handle new business. Parallel to the union employment, the growth of non-union carriers continued as more managements achieved a closer sense of common interest between employee and management.

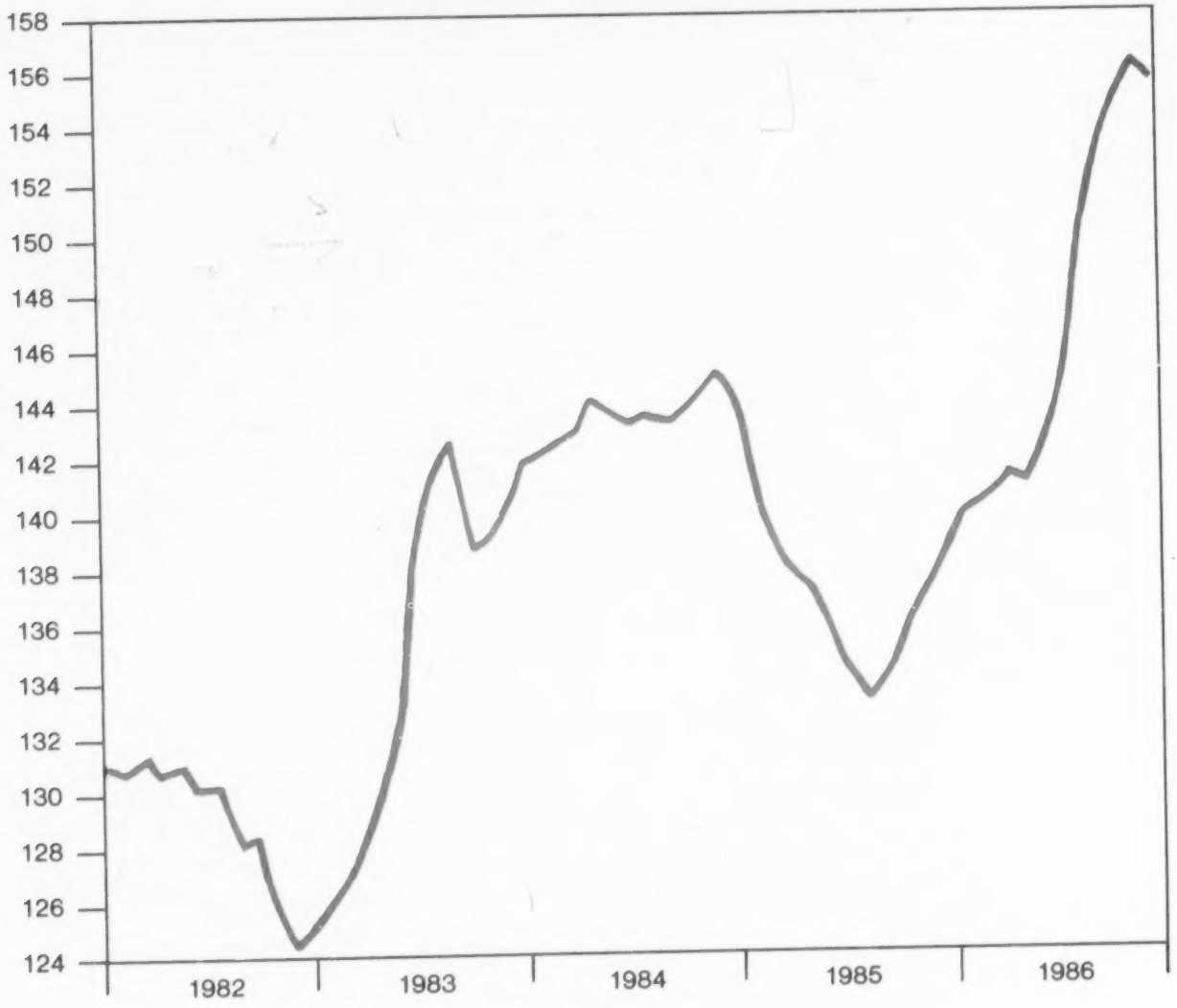
By the end of 1985 the use of ESOP plans diminished; to some their introduction became a sign of carrier weakness rather than a salvation and thus aroused shipper concerns. However, many plans have survived and provided their carriers and employees with a continuing place in the industry.

During the year the Congressional Budget Office released its report mandated by the Motor Carrier Act of 1980 to review the effects of deregulation. Generally speaking, it was an upbeat report, noting that substantial consolidation had occurred among carriers, but that competition had been a successful substitute for rate regulation; that the rural communities had not suffered from loss of service, and that the industry would be reasonably healthy, competitive and have fewer truckers over the next five years. Their report notwithstanding, for many the jury remains out on the question of deregulation.

CHART 1
TRUCKER STOCK GROUP RELATIVE TO S&P 500

SOURCE: KIDDER, PEABODY & CO./BRIDGE
NOTE: RISING LINE INDICATES TRUCKERS GROUP OUT PERFORMING S&P 500 INDEX. DECLINING INDICATES GROUP IS UNDER PERFORMING THE MARKET (I.E. S&P 500).

CHART 2
TRUCK TONNAGE INDEX



THE STRUCTURE OF THE MOTOR CARRIER INDUSTRY

The motor carrier industry may be conveniently divided into two major traditional classifications, Private and For-Hire.

Private Carriers consist of the trucking operations of manufacturers, wholesalers, merchants, and other shippers for transporting their own goods by means of equipment which they themselves own or lease. If their principal business is not transportation services, they qualify as private carriers. Those firms which meet the criteria which define private carriers are not subject to Interstate Commerce Commission regulation. Restrictions on their operations, however, have been liberalized since the Motor Carrier Act of 1980 in terms of intercorporate hauling authorities and for-hire backhaul services.

For-Hire Carriers transport freight which belongs to others. They may be classified by jurisdiction served such as interstate, intrastate, or local, the last two classes being regulated by local or state authorities, or exempt from regulation. They may also be classified by kind such as Common Carriers, Contract Carriers and Exempt Carriers.

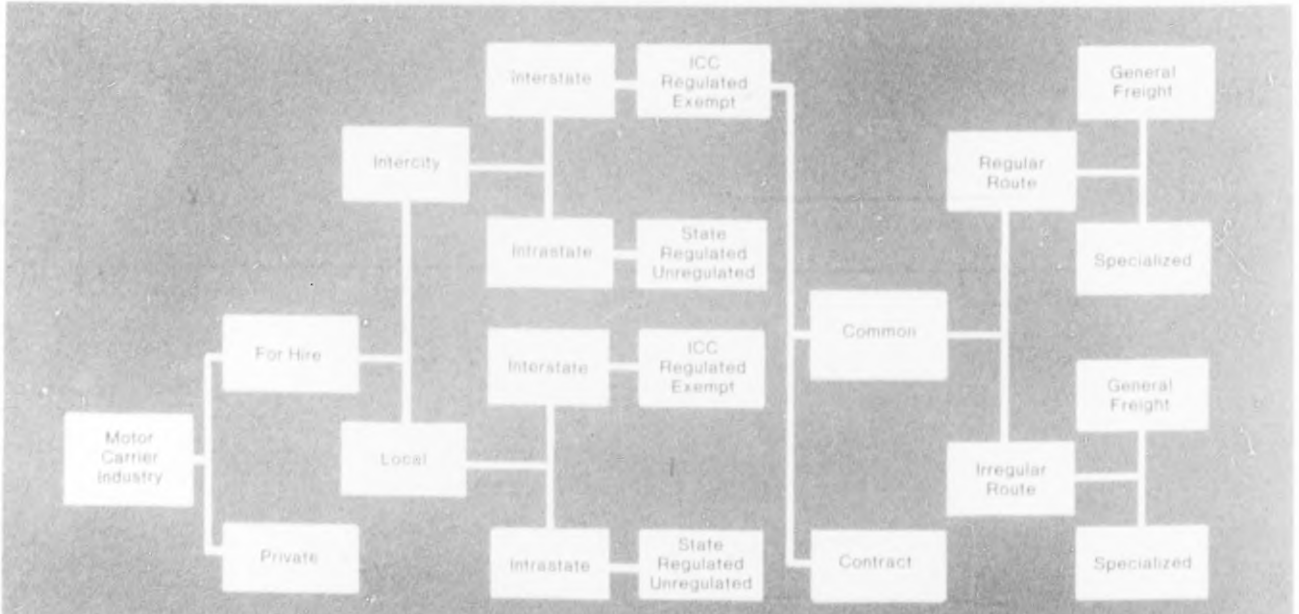
I. Common Carriers by definition offer their services to any shipper to transport his goods between designated points at published rates under authority granted them by the ICC under a certificate of public convenience and necessity. This certificate spells out both the types of commodities which may be carried and the service routes, whether irregular route service between areas on a non-scheduled basis or regular route service over designated roads on a scheduled basis. The ICC must also approve the tariffs established for various classes of freight by the numerous regional rate bureaus. In general, any service which is not specified by the terms of an operating certificate is forbidden.

II. Contract Carriers, as the name implies, serve one or a few shippers under specific contractual arrangements and cannot, like Common Carriers, offer their services to the public-at-large. Owing to the non-public nature of these carriers, the rates which they may charge differ from the tariff structure governing Common Carriers. Rates are directly negotiated with the shippers they serve. Operating authorities which specify areas to be served and commodities to be carried must be obtained from the ICC. The Motor Carrier Act of 1980 substantially liberalized the rules for contract carriage.

Note: Motor carriers authorized and regulated by the Interstate Commerce Commission are categorized into three classes according to revenue size. Effective in 1980, Class I are carriers having annual revenues over $5 million, Class II having revenues between $1 to $5 million, and Class III having revenues less than $1 million.

III. Exempt Carriers transport certain specialized goods, such as unprocessed agricultural products, livestock, and newspapers, and are exempt from ICC regulations about routes, areas and rates.

Of note is that the traditional distinctions between carrier types have been clouded by the I.C.C.'s eased entry policy and broad grants of authority. Common carriers, for example, have been obtaining contract carrier authority. Contract carrier authority can be so liberally written that it is similar to nationwide general commodity rights of common carriers. Private carriers can haul freight for subsidiaries, can "backhaul" for-hire, or spin-off a subsidiary, obtain authority and operate fully for-hire. Exempt carriers and owner-operators can equally obtain authority to participate in the regulated commodity market.



SOURCE: The Economics of the Motor Freight Industries, Garland Chow, Bloomington, Indiana School of Business, Indiana University, 1978, p. 9.

ICC Geographic Regions

1 New England
2 Middle Atlantic
3 Central
4 Southern
5 Northwestern
6 Middlewestern
7 Southwestern
8 Rocky Mountain
9 Pacific

SCOPE OF THE ANALYSIS

The motor carrier industry is a major component of the U.S. economy. Shippers in 1985 expended $208.2 billion to ship freight by truck. This is 76% of the total dollars spent by shippers on all modes of transportation. The greatest portion of the revenue for trucking service is for local carriers, $76.4 billion or 37.2 percent. The two segments involved in intercity transportation are ICC authorized carriers, the focus of this analysis, and non-ICC authorized carriers, comprised of private carriers, owner-operators and intrastate for-hire firms. This latter group has an estimated revenue level of $74.7 billion. Revenues in 1985 for ICC authorized carriers were an estimated $54.2 billion.

The $54.2 billion for ICC authorized carriers in 1985 includes all Class I and motor carriers, Class II carriers defined by annual revenues of less than $1 million and larger reports to the ICC. Class III revenues are estimated at $12.1 billion in 1985. Class I and II carriers who should report to the ICC had revenues of $44.1 billion.

The 1986 Financial Analysis focuses on 1,627 Class I and II ICC regulated for-hire motor carriers of which 617 are general freight common carriers and 1,010 are common and contract carriers of specialized commodities. These companies do not comprise the total number of ICC Class I and II firms but include those for which consistent and uniform financial and operating data have been compiled for both 1984 and 1985. The carriers in this analysis generated $31.0 billion or 57% of the total of $54.2 billion. They are therefore indicative of carrier performance and operating results.

Class I and II firms not represented in this analysis have either been excluded from the results with the ICC or are excluded because data was incomplete inconsistent or inaccurate for either 1984 or 1985. Carrier results are taken directly from the annual reports submitted to the ICC. None of the approximately 30,000 Class III carriers in 1985 are represented in this profile since Class III carriers are not required to file financial results with the ICC. The following defines the groupings of carriers which will be used in this 1986 Financial Analysis.

Group A covers the smaller-sized general freight carriers, those with revenues less than $5 million (but greater than $1 million). The 293 carriers in this group are, as in the past, further segregated into the nine ICC regions based on the domicile of the carriers. Their operating territory may not totally coincide with their region of domicile but in general, these smaller-sized carriers have more limited territorial coverage than their larger counterparts.

Group B includes 219 general freight carriers with 1985 revenues between $5 and $25 million. Like carrier Group A, they are further split into the nine ICC regions of domicile. Their operating territory is broader than that of the Group A carriers, but nonetheless, is regional, more so than nationwide.

Group C includes 105 general freight firms with revenues of $25 million or more. Group C-1 firms have annual revenues between $25 and $100 million. Group C-2 carriers have annual revenues greater than $100 million. Since these firms operate multiregionally and nationwide, they are subgrouped based on length of haul. Group C-1 includes 75 carriers within two length of haul categories, 250 miles and under and greater than 250 miles. Their larger counterparts in Group C-2, 30 firms, are divided into four length of haul categories, 250 miles and under, 251-500 miles, 501-750 miles, and greater than 750 miles.

Group D consists of 1,010 common and contract carriers of specialized commodities. They differ from general freight carriers by typically hauling freight in full truckloads from shipper to receiver without the necessity to break and consolidate loads at terminal facilities. These firms are subgrouped on the basis of principal commodity carried.

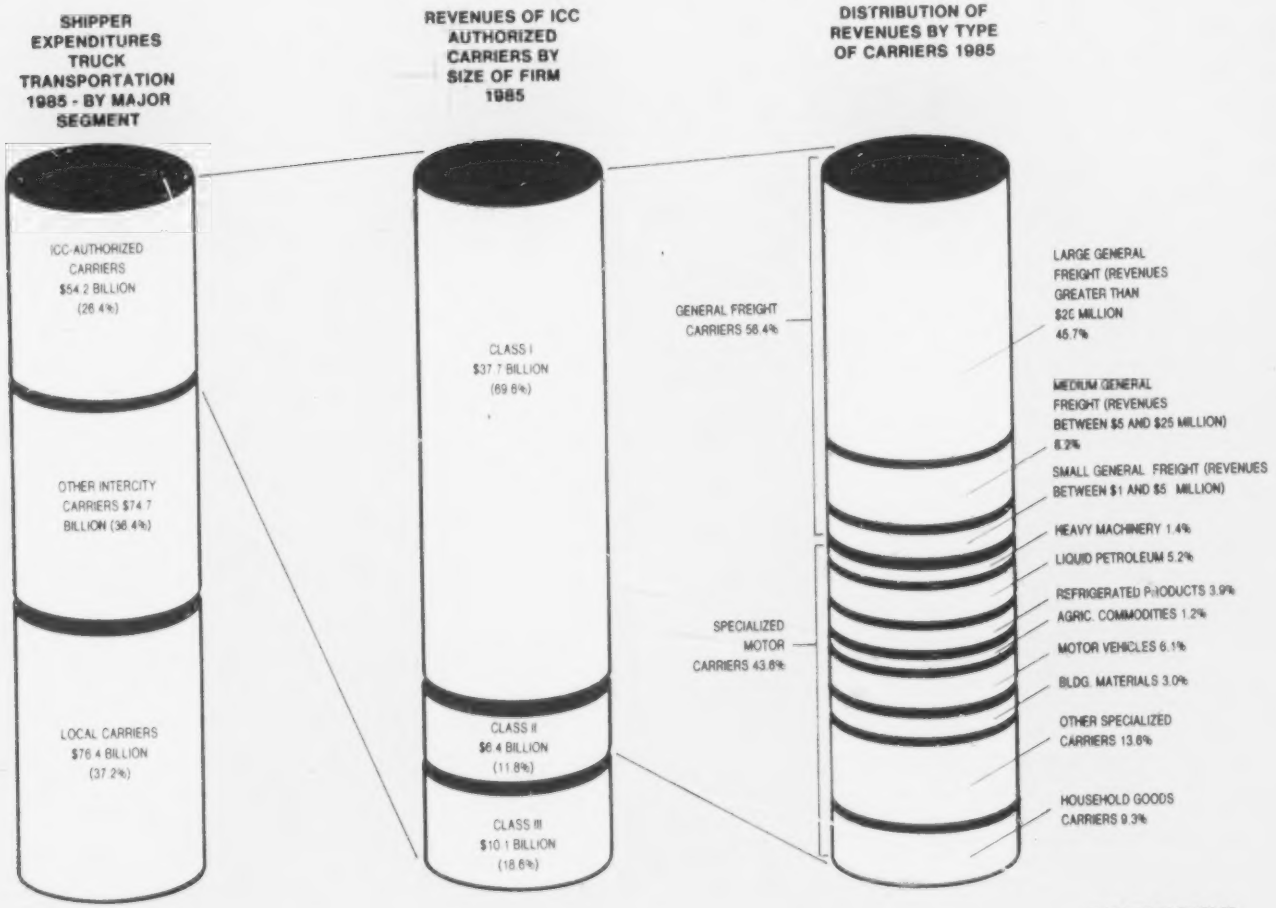
A general profile of the economic size of the major groups in the analysis is shown in the following table.

Proportion of Carrier Totals, 1985, in:

	Gross Revenues	Net Income	Total Assets	Operating Property(cost)
Group A	2.5%	1.6%	2.7%	2.8%
Group B	8.2	6.4	7.0	7.0
Group C	45.7	52.6	47.1	48.0
All Gen. Frt.	56.4	60.6	56.8	57.8
Specialized	43.6	39.4	43.2	42.2
Total	100.0%	100.0%	100.0%	100.0%
$Total (Millions)	$30,984	$528	$14,570	$13,711

SCOPE OF ANALYSIS

ICC AUTHORIZED CLASS I & II MOTOR CARRIERS OF PROPERTY


SHIPPER EXPENDITURES TRUCK TRANSPORTATION 1985 - BY MAJOR SEGMENT
ICC AUTHORIZED CARRIERS $54.2 BILLION (26.4%)
OTHER INTERCITY CARRIERS $74.7 BILLION (36.4%)
LOCAL CARRIERS $76.4 BILLION (37.2%)
REVENUES OF ICC AUTHORIZED CARRIERS BY SIZE OF FIRM 1985
CLASS I $37.7 BILLION (69.6%)
CLASS II $6.4 BILLION (11.8%)
CLASS III $10.1 BILLION (18.6%)
DISTRIBUTION OF REVENUES BY TYPE OF CARRIERS 1985
GENERAL FREIGHT CARRIERS 56.4%
SPECIALIZED MOTOR CARRIERS 43.6%
LARGE GENERAL FREIGHT (REVENUES GREATER THAN $25 MILLION 45.7%
MEDIUM GENERAL FREIGHT (REVENUES BETWEEN $5 AND $25 MILLION) 8.2%
SMALL GENERAL FREIGHT (REVENUES BETWEEN $1 AND $5 MILLION)
HEAVY MACHINERY 1.4%
LIQUID PETROLEUM 5.2%
REFRIGERATED PRODUCTS 3.9%
AGRIC. COMMODITIES 1.2%
MOTOR VEHICLES 6.1%
BLDG. MATERIALS 3.0%
OTHER SPECIALIZED CARRIERS 13.6%
HOUSEHOLD GOODS CARRIERS 9.3%

*EXCLUDES REVENUES OF UNITED PARCEL SERVICES WHICH TOTALED $6.8 BILLION.

SOURCE: 1985 F&OS MOTOR CARRIER ANNUAL REPORT

TERMINOLOGY

Income Statement Data

Gross Revenues: Total operating revenues derived from freight transportation services.

Depreciation: Noncash charges to income for use and obsolescence of carrier operating property and other fixed assets.

Purchased Transportation: The costs of revenue equipment rented from others, including affiliates, with or without hired drivers, as well as the costs of transportation purchased from railroads, airlines and water carriers.

Operating Expenses: Expenses which are directly a function of operations, including depreciation and purchased transportation. Noncarrier expenses and interest charges are not included.

Operating Income: Gross revenue less operating expenses.

Interest Expense: The cost, paid or accrued, of purchased money indebtedness from affiliates or others.

Net Income before Taxes: Income from continuing operations, after interest charges, but before income taxes and extraordinary gains or losses.

Income Taxes-Current: Includes taxes paid to the federal, state, and (if applicable) local government.

Deferred Income Taxes: Taxes arising principally from the difference in handling certain assets, such as tires and tubes, for book and tax purposes. Deferred taxes also includes investment tax credits, if applicable. This account is used in the cash throw equation.

Equity In Earnings of Affiliates: An account used in the cash throw equation.

Income before Extraordinary Items: Post-tax ordinary income excludes extraordinary gains and losses. Ratios which are developed from after-tax income figures such as net after taxes to equity and to gross revenues are based on post-tax ordinary income in this year's edition.

Extraordinary Items: Includes net gains or losses on unusual items such as the sale of land or securities and typically have minimal impact on net income.

Net Income after Taxes: The sum of post-tax ordinary and extraordinary income.

Balance Sheet Data: Assets

Cash: Cash, temporary investments, and special deposits.

Receivables from Affiliates: Notes and accounts receivable due from affiliated companies.

Notes and Accounts Receivable: Trade receivables (billings to shippers), interline receivables (billings to other carriers), and other receivables.

Prepaid Expenses: Office supplies, taxes, license and other fees, insurance, interest, and warehoused tires and tubes. Under ICC rules, tires and tubes in use may be either expensed at the outset of use or relegated to this accrual category, according to the discretion of management.

Materials and Supplies: These include fuel, spare parts, and unmounted tires and tubes. Inventories may be expensed when purchased or as they are withdrawn for use.

Other Current Assets: Includes the standard accounting term "other current assets" and deferred income tax charges.

Current Assets: The sum of cash, accounts receivable, prepaid expenses, materials and supplies, and other current assets.

Carrier Operating Property (Net): A motor carrier's "inventory," that is, revenue producing fixed assets such as trucks, tractors, trailers, buildings, land, leasehold improvements, and office equipment, as valued at cost, less accumulated depreciation and amortization.

Total Tangible Property: Net carrier operating property plus other net non-carrier operating property. The "other" property account includes items such as land purchased for expansion, or buildings, etc.

Intangible Assets: A combination of (a) the carrying values of operating authorities ("Rights") from the ICC and state regulatory bodies and (b) goodwill, principally from acquisitions of other companies and their properties, being the excess of cost over the net book value of the assets acquired. As a result of the Motor Carrier Act of 1980, the value of interstate operating authorities has been virtually eliminated.

Other Assets: Investments in and advances to affiliated companies; deferred and miscellaneous debits.

Liabilities and Equity

Payables to Affiliates: Notes and accounts payable to affiliated companies.

Notes Payable: Short-term debt used for cyclical working capital purposes, such as license fees and insurance premiums. The current portion of funded (long-term) debt does not fall into this category.

Accounts Payable: Operational trade payables.

Miscellaneous Payables and Accruals: Unpaid salaries and benefits, including health, welfare and withholding taxes, accrued dividends and other miscellaneous accounts.

Taxes Payable: Miscellaneous taxes due or accrued, such as income, real estate and highway use, but not deferred income taxes.

Current Portion of Funded Debt: The amount of funded debt due within one year.

Other Current Liabilities: Includes the current portion of advances payable, estimated accrued liabilities, other liabilities and deferred tax credits.

Current Liabilities: The sum of notes payable, accounts payable, miscellaneous payables and accruals, taxes payable, the current portion of funded debt and other current liabilities.

Advances Payable: Contains the non-current portion of advances payable, both to affiliated companies and other business enterprises.

Funded Debt: Secured or unsecured purchased money indebtedness taken for a term greater than one year and used primarily for revenue equipment and real estate purchases.

Total Long-Term Debt: The sum of long-term funded debt (excluding current maturities) and long-term advances payable.

Total Funded Debt: The total purchased money indebtedness of a company including long-term funded debt and the current portion of that debt. Long-term advances payable are not included here.

Reserves and Estimated Liabilities: Reserves covering cargo loss, damage and self-insurance programs.

Accumulated Deferred Tax Credits: Deferred income taxes resulting from the difference between book and tax treatment of depreciation.

Total Liabilities: The sum of current liabilities, total long-term debt, and reserves and estimated liabilities.

Stockholders' Equity: The equity in the assets held by proprietors, partnerships, and stockholders; comprises all classes of capital stock, capital surplus, and retained earnings, net of treasury stock.

Total Capital: Total long-term debt (funded debt due after one year and non-current advances payable) plus stockholders' equity.

Analytical Data: Profitability

Gross Revenues to Equity: One of several measures suggesting the degree of efficiency in employment of capital.

After-Tax Income to Equity: This ratio, return on shareholders' equity, or return on equity indicates how well the owner's investment dollars are used.

Gross Revenues to Carrier Operating Property (Net) and (at Cost): These measures tell how much revenue is produced by each dollar of operating equipment and are another index of management's efficiency. They are best applied to year-to-year comparisons of the same or very similar carriers; the amount of purchased transportation employed can otherwise affect the validity of comparisons.

Gross Revenues to Total Capital and Pre-Tax Income to Total Capital: Two additional operating ratios which measure the turnover of total capital on revenues and pre-tax income.

Pre-Tax and After-Tax Income to Gross Revenues: Well-known measures of profitability as the net profit margin. Since motor carriers typically show low margins on high volumes, even slight changes in these ratios may indicate significant trends.

Return on Transportation Investment: Net carrier operating income divided by carrier operating property (net) plus working capital expressed as a percent.

Expense Ratio: Total operating expenses plus interest expenses as a percentage of gross revenues. Unlike the operating ratio, the expense ratio also takes into account the cost of debt.

Operating Ratio: Operating expenses as a percentage of gross revenues. This is an important index of operating efficiency. Since it excludes extraordinary expenses, income taxes and interest, individual peculiarities are eliminated so that the ratio may be used as a measure of performance industry-wide.

Liquidity

Cash Throw: Net income after taxes plus depreciation, as defined, plus deferred income taxes accrued during the reporting period minus equity in the earnings of affiliated companies.

In the analysis, cash throw is compared to levels of debt in the sense of the time to pay off debt. However, it is recognized that normal operations preclude using all cash throw solely for debt retirement since it is used for numerous other purposes. The time period coverage is offered as one measure of liquidity and should be evaluated relative to cash throw to debt coverage of the other carrier groups.

Working Capital: Current assets less current liabilities.

Current Ratio: The ratio of current assets to current liabilities. The working capital requirements of motor carriers are not comparable with those of other industries since inventories are relatively minor and receivables turn over relatively quickly.

Days of Cash Expenses in Working Capital: To compute, (a) subtract depreciation and the gain (loss) from disposition of operating assets from operating expenses to get cash operating expenses; (b) divide cash operating expenses by 365; (c) divide the result into working capital. This ratio measures the ability of the carrier to meet daily operating expenses from working capital. To service debt, it is cash throw from ongoing operations, not a diminution of current assets, which is relevant, and, therefore, the days-of-cash ratio is a better indicator of operational viability than the current ratio.

Average Days Collection Period: Notes and accounts receivable times 365 divided by gross revenues. This ratio is helpful in analyzing the collectibility of receivables. When comparing the collection period of one firm or industry with that of another allowances should be made for possible variations in selling terms. Note that the collection period ratio shown herein, relating revenues to receivables, does not specifically address the collection procedure of motor carrier groups; however, it is indicative of relative turnover of receivables.

Leverage & Debt Service

Funded Debt to Equity: The ratio of total funded debt, including current maturities, to shareholders' equity. If current operations can be adequately funded from working capital, this ratio reveals the degree of protection afforded to long-term lenders.

Net Debt to Equity: Funded debt due after one year less working capital, divided by stockholders' equity. A more sharply-honed version of the preceding ratio, since it does not include working capital, which ought to be sufficient to cover current operations.

Funded Debt to Tangible Net Worth: Total funded debt divided by stockholders' equity less intangibles. This ratio is another "fine-tuned" version of the debt to equity ratio in that intangibles are eliminated from stockholders' equity.

Cash Throw to Debt Due in One Year: Cash throw divided by current portion of funded debt. This ratio, which indicates the ability to service the current portion of long-term debt principal, is useful for analyzing smaller carriers which finance equipment purchases on an installment contract basis. Since revolving credit arrangements do not provide for current maturities, the ratio will be misleading when applied to carriers using this financing vehicle. An axiom of lenders is that carriers should be able to cover current debt maturities through depreciation alone.

Cash Throw to Total Funded Debt: This index reveals the proportion of total funded debt that could be repaid in one year if all cash throw were directed to that end. As such, it yields a better measure of the ability of carriers who use equipment revolvers to service their debt than does the preceding ratio. The reciprocal of this ratio is the number of years required to repay debt completely, and it

may usefully be compared with the average remaining life of carrier operating property.

Interest to Total Funded Debt: This index shows the percentage interest payments represent of total funded debt.

Net Carrier Operating Property to Net Worth: As a measure of owners' equity in operating property, this ratio points to the relative adequacy of capitalization as well as to efficient use of capital.

Additional Ratios

Receivables to Payables: Notes and accounts receivable divided by notes payable plus accounts payable.

Depreciation to Debt Due in One Year: Depreciation divided by funded debt due in "one" year.

Total Tangible Property to Equity: Total tangible property divided by stockholders' equity.

Income before Extraordinary Items to Equity, Percent: Net income after taxes, but before extraordinary and prior period items divided by stockholders' equity times 100.

Gross Revenues to Total Tangible Property: Gross revenues divided by total tangible property.

Productivity

Total Payroll to Revenues: This ratio suggests the degree of efficiency with which labor is employed. The ability to control payroll expenses will vary, of course, between different kinds of carriers and the ratio should be used with caution when comparing carriers of unlike kind.

Total Payroll (WPT) to Revenues: The ratio of total payroll (including purchased transportation) to revenues is a refinement of the preceding ratio. It too reveals efficiency in the use of personnel resources; it is more meaningful than the ratio of total payroll to revenues for analysing those carriers, such as Group D carriers, which rely heavily upon purchased transportation.

Cargo Handler Compensation to Revenues: Cargo handler compensation comprises one of the main components of total payroll, especially for general freight carriers. Thus, this ratio focuses upon one aspect of personnel costs.

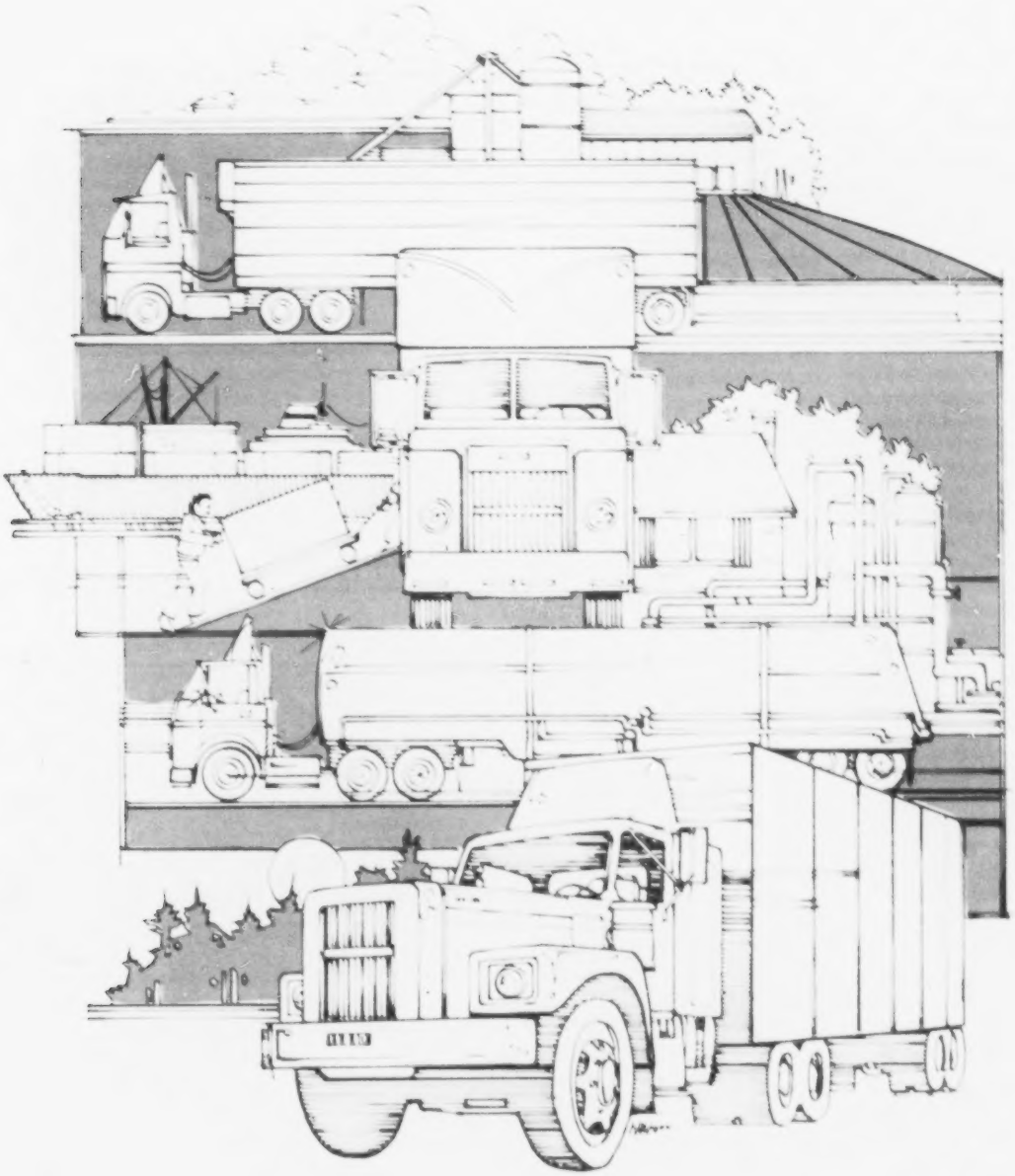
Linehaul Expenses to Revenues: The linehaul expense category aggregates the allocation of various operating expenses. The ratio thus gives yet another handle on operating productivity.

Average Load: An index of the utilization of productive capacity, derived from the ton-mile figures compiled by carriers. Ton-miles are perhaps the most troublesome statistic for motor carriers to generate, but should reflect a summation of the number of truck movements made during any period, with the relevant data for each truck movement being the tons handled multiplied by the mileage of the movement.

Total Tons: Total tons reflects a combination of tons handled in truckload and less-than-truckload amounts as well as tonnage from common and contract carrier intercity service.

Total Miles: Total miles reflects intercity miles with owned vehicles and vehicles rented with and without driver as well as driveaway miles.

CARRIER GROUP ANALYSES



COMPOSITE CARRIER GROUPS A, B, C & D

Overview

The period of time addressed by this 1986 Financial Analysis of the Motor Carrier Industry involves both 1985, a down year, and part of 1986, proving to be generally an up year until the last quarter. The main focus is 1985 annual results for which, objectively, negative results prevailed for many but not all carriers. In 1986, due principally to fuel price declines, results, especially profits, improved strongly on a percentage change basis. On a margin basis, they also improved markedly, but moreso toward levels considered in the past to be normal. The year, 1986 as a whole, will prove to be better than 1985, or the past few years, as next year's Financial Analysis should indicate in much greater detail. For now, though, it is the results of 1985 to which attention is focused.

The year, 1985, was not a good one for the trucking industry nor its supporting cast. Profits fell for many, failures increased, and heavy truck sales declined following a surge in buying in 1983 and 1984, among some of the indicators. The year was frustrating because, in mid to late 1984, forecasts for reasonable economic growth were prevalent, only to evaporate during the actual economic performance of the year. Real Gross National Product (that is, GNP adjusted for price changes) increased only 2.7%, and GNP for Goods, in particular, by only 2.0%. Industrial production rose but 1.98%.

During 1985, the insurance crisis became more acute, forcing many motor carriers off the road, and burdening many others with steep increaes in premiums. Also, state taxing activity was heavy, scooping dollars from an already strained income statement. Rate discounting was rampant due to marginal business changes, as carriers fought to maintain market share. While 1985 may have differed from 1984 -- and the 6 to 7 years before -- in some particular, specific areas, the theme remained essentially the same: it's been tough to make a buck in the trucking industry.

Carrier Group Comparisons 1985-1984

For the major groups of carriers addressed in this Financial Analysis of the Motor Carrier Industry, changes in general levels of business are shown in Table 1. Revenues did increase for all but the smaller general freight carriers (Carrier Group A). The range of increase, though, was generally weak -- 2.8% for general freight carriers overall, compared to 3.5% for specialized motor carriers (Carrier Group D). Among general freight carriers, the large carriers (Group C) had the highest increase at 3.3%, the medium size firms (Group B) followed at 2.5%.

Total tonnage was also slack in 1985 for the various carrier groups, falling 1.9% for general freight, while rising a meager 1.0% for specialized carriers. The worst conditions appeared to be among the small general freight carriers; their medium size peers did better than average. The small general freight carriers were the only group to show declining mileage; otherwise, small gains were registered.

Complicating the weak business conditions, expenses increased faster than revenues among all the carrier groups (or, in the case of the small general freight firms, did not fall as fast as revenues declined). Insurance expenses and operating taxes and licenses led the way. Higher fuel tax rates hit everybody; only those who had a material advantage from the size and weight laws had an offset to these higher fuel taxes. The result was declining operating profits and net income for the entire composite of the groups. Overall, net profits fell by about a third among specialized motor carriers, and more than a quarter for the general freight carriers. Especially hard hit were the small general freight carriers, where net profits declined by almost 60%.

Reflecting the declining profit situation, the operating ratio rose and the profit margin fell. The operating ratio was extremely thin for small and medium general freight carriers, as well as the specialized carriers, at over 97 for each group. Only the largest general freight carriers managed an operating ratio under 96. All carrier groups ended 1985 with profit margins between 1 and

Table 1

	Percent Change, 1985 vs. 1984, in:		
	Revenues	Tonnage	Mileage
General Freight			
Small	(5.1)%	(5.9)%	(3.9)%
Medium	2.5	1.4	1.6
Large	3.3	(2.5)	0.9
All General Freight	2.8	(1.9)	0.8
Specialized Carriers	3.5%	1.0%	0.6%

Table 2

	Percent Change, 1985 vs. 1984, in:			
	Revenues	Expenses	Operating Profits	Net Profits
General Freight				
Small	(5.1)%	(4.2)%	(47.5)%	(59.6)%
Medium	2.5	3.1	(19.3)	(14.8)
Large	3.3	4.1	(11.6)	(26.1)
All General Freight	2.8	3.5	(13.1)	(26.7)
Specialized Carriers	3.5%	4.4%	(23.1)%	(32.5)%

Table 3

	Operating Ratio		Net Profit Margin	
	1985	1984	1985	1984
General Freight				
Small	98.86	97.94	1.15	1.38
Medium	97.64	97.00	1.25	1.64
Large	95.88	95.19	1.94	2.72
All General Freight	96.27	95.58	1.81	2.50
Specialized Carriers	97.45	96.57	1.54	2.33

2 percent, extremely low compared to industry norms, as well as for the process of future planning. The smallest general freight carriers lagged the other groups in both profit margin and operating ratio.

Likewise, return on equity and return on transportation investment declined across the board. Return on equity (ROE) fell to 8.5% from 11.6% for general freight carriers, and from 12.9% to 8.4% for specialized carriers. The ROE of the small general freight carriers was about half that of the larger carriers. For return on transportation investment, the small general freight carriers' return was not even a third of their larger peers. Overall, however, the general freight carrier group experienced a lesser decline in these margins than the specialized carriers.

Changes in liquidity showed mixed results among the carrier groups, some positive, some negative. Cash throw, stemming mainly from the income statement, showed a general downturn as would be expected. However, the downturn was not as severe as might be gathered looking, for example, at profit changes alone. Depreciation charges, as will be covered later, accelerated in 1985. Nevertheless, cash throw did generally decline -- 1.7% for general freight carriers, and a steeper 4.2% for specialized motor carriers.

Working capital, on the other hand, increased for the specialized carriers by a sound 21%. While it declined for general freight carriers as a group, it rose for the small general freight firms, helping to offset some of the negative impact associated with their profit decline.

Table 4

	Return on Equity		Return on Trptn. Investment	
	1985	1984	1985	1984
General Freight				
Small	4.51%	5.79%	4.25%	8.44%
Medium	7.49	9.56	11.29	14.21
Large	8.88	12.29	14.73	17.70
All General Freight	8.49	11.63	13.88	16.88
Specialized Carriers	8.38%	12.92%	10.20%	15.36%

Table 5

	Cash Throw		Working Capital	
	1985 Mil $	% Change from 1984	1985 Mil $	% Change from 1984
General Freight				
Small	$ 43.78	(2.3)%	$ 66.39	16.2%
Medium	135.70	2.3	103.05	(14.9)%
Large	892.44	(2.3)	235.76	(29.1)
All General Freight	1,071.92	(1.7)	405.21	(20.6)
Specialized Carriers	$ 774.92	(4.2)%	$612.51	21.0%

Table 6

	Days of Cash Operating Expenses in			
	Current Ratio		Working Capital	
	1985	1984	1985	1984
General Freight				
Small	1.51	1.43	33.34	27.36
Medium	1.29	1.37	15.65	18.92
Large	1.12	1.19	6.61	9.66
All General Freight	1.16	1.23	9.61	11.90
Specialized Carriers	1.30	1.27	17.66	15.19

Reflecting the changes in working capital, the current ratio improved for the specialized carriers and smaller general freight firms, while declining for other major groups. Against an historic industry average of 1.20, the current ratio of the small general freight carriers is, and was, more than adequate. Likewise, the current ratio for the medium general freight carriers and the specialized carriers appears in sound shape. For the largest general freight carriers, the current ratio weakened in 1985, but appears to be more a one year aberration than any noticeable downward trend.

The situation with days' cash operating expenses in working capital mirrors the overall condition of working capital in 1985. With longest coverage are the small general freight carriers, at 33 days, followed by the specialized truckers, and others ranked similar to current ratio standing. The largest general freight carriers are a bit thin in coverage at 6.6 days, but assuredly are able to exercise more control over receivables and outlays than smaller sized carriers, thus providing a reasonable margin of coverage.

Carriers, for the most part, took on additional debt during the year to finance equipment replacements and other capital outlays. Many likely required debt for working capital purposes and to help pay insurance premium increases and other operating costs. This is suggested by looking at changes in total assets, showing lesser growth than the debt level increase, and also by the lesser changes in investment in carrier operating propety at cost (see Table 11).

The growth in funded debt

Table 7

	Percent Change, 1985 vs. 1984, in:		
	Interest Expense	Funded Debt	Total Assets
General Freight			
Small	(1.3)%	6.9%	(3.5)%
Medium	9.5	10.4	4.7
Large	14.9	13.4	5.3
All General Freight	12.9	12.4	4.7
Specialized Carriers	18.5%	20.9%	13.1%

was associated with an increase in interest expenses, albeit generally at a lesser rate of increase. Favorable interest rates have no doubt come into play here. To some extent, the additional borrowings at these relatively low interest rates (compared to the recent past) are wise moves, freeing up, if not supplementing, cash generated from operations. The affect of low rate interest expenses in future years should not be particularly burdensome, especially if future industry profitability returns to more normal levels.

As a result of the disproportionate increase in levels of funded debt, both the funded debt and net debt to equity ratios rose (deteriorated). Funded debt to equity for general freight carriers rose from 0.30 to 0.33 in 1985, but is about half as steep as for specialized carrier -- 0.60 in 1985 from 0.53 in 1984. Among general freight carriers, the medium size group has the substantially higher debt to equity ratio.

Net debt to equity, which is a version of the funded debt ratio accounting for working capital, also rose generally for the various motor carriers groups. The exception was the smaller general freight carriers, whose stong working capital position and improvement in working capital during the year had this ratio negative in 1984 and declining over the period. For them, the overall debt burden is, thus, minimal. The other carrier groups show reasonable net debt to equity ratios ranging from 0.15 to 0.19, although increasing from 1984.

Cash throw to funded debt gives an indication of debt coverage from internally generated funds. The specialized carriers, plus the small and medium size general freight firms show cash throw to debt ratios in the 50 to 60 range, indicating that all funded debt could be paid off in slightly less than two years were all cash throw dedicated exclusively to debt retirement. The large general freight carriers show much sounder coverage, able theoretically to be debt free in just over a year. In all cases, however, cash throw coverage of debt deteriorated from 1984 to 1985.

Interest to funded debt shows consistent ratios among the groups of carriers, ranging from 11 percent for small general freight carriers to 13.75% for the largest within general freight. This ratio is difficult to evaluate on its face because a combination of factors comes into play -- the interest rate charged for debt; the debt portfolio the carriers have; short versus long term obligations; and the debt payment schedule, whether payments are being made early, deliquent, or on time.

Other ways to evaluate the carriers' relative debt burden is the drain it imposes on both revenues and operating income -- the amount of money left after operating expenses to pay for interest, taxes and other non-operating outlays. Based on interest relative to revenues, the largest burden applies to the specialized motor carriers, where interest is the equivalent of 1.4% of each revenue dollar earned. It is 1.1% for both the small and medium size general freight carriers, and a lesser 0.9% for large general freight firms.

As a percent of operating income, however, the greatest interest expense burden applies to the small general freight carriers, where interest consumes essentially all their net operating income. Interest takes half of the operating income of the medium general freight and specialized carriers, but only 21% of large general freight carriers' operating income. Contrast these results with interest expense as a percent of funded debt (Table 9), which would have suggested opposite results.

The heaviest investment in new equipment (carrier operating property) occurred among the specialized motor carriers, adding 11.7% to operating property at cost. Among general freight carriers, the largest made the most substantial new investment, up 7 percent over 1984. A lesser investment was made by medium and small carriers, mainly for replacements as indicated by the relatively larger increase in depreciation reserve.

The equipment of the

Table 8

	Funded Debt to Equity		Net Debt to Equity	
	1985	1984	1985	1984
General Freight				
Small	0.38	0.36	(0.06)	(0.03)
Medium	0.55	0.49	0.15	0.08
Large	0.30	0.27	0.17	0.11
All General Freight	0.33	0.30	0.16	0.10
Specialized Carriers	0.60	0.53	0.19	0.16

Table 9

	Cash Throw to Funded Debt		Interest to Funded Debt	
	1985	1984	1985	1984
General Freight				
Small	58.36	63.91	11.18	12.12
Medium	58.43	63.08	12.45	12.56
Large	96.88	112.44	13.75	13.58
All General Freight	87.25	99.82	13.35	13.29
Specialized Carriers	51.81	65.38	12.63	12.88

Table 10

	Interest Expense as a Percent of: Net Carrier Revenues		Operating Income	
	1985	1984	1985	1984
General Freight				
Small	1.1%	1.1%	96.1%	51.1%
Medium	1.1	1.1	47.9	35.3
Large	0.9	0.8	21.7	16.7
All General Freight	0.9	0.9	25.2	19.3
Specialized Carriers	1.4%	1.2%	54.8%	35.6%

smallest general freight carriers appears to have aged considerably based on the ratio of depreciation reserve to operating property at cost (or, carrier operating property, percent depreciated). At 63.3% depreciated, this represents an all time high, or very "old" fleet. The larger general freight carrier fleet, on the other hand, is only 43.5% depreciated (reasonably new), and it declined in "age" from 1984.

Relative investment in carrier operating property, plus the amount of transportation services the carrier performs absent the equipment investment bears heavily on perceived revenue turnover. That is, the largest general freight carriers generate $3.80 in revenue for every dollar invested in carrier operating property, the lowest yield among the major carrier groups. However, they have the newest fleet, which helps them reduce maintenance and repair costs, and is potentially beneficial to securing shipper traffic (vis-a-vis, older, less attractive equipment pulling up to the dock). Also, the large general freight carriers make the least use of owner-operator services, wherein the carrier avoids the equipment investment. In contrast, the higher revenue yields of the small and medium size general freight carriers are achieved with much older owned equipment and a heavier use of owner-operators (or, purchased transportation expense).

Table 11

	Carrier Operating Property Percent Depreciated		% Ch 1985 vs 1984 in: Operating	
	1985	1984	Property at Cost	Deprec. Reserve
General Freight				
Small	63.3%	61.4%	4.6%	7.8%
Medium	55.4	55.4	6.5	6.6
Large	43.5	44.9	7.0	3.5
All General Freight	45.9	47.0	6.8	4.3
Specialized Carriers	52.2%	53.5%	11.7%	9.0%

Table 12

	Purchased Trptn. Expense as % of Revenues		Gross Revenues to Net Carrier Operating Property	
	1985	1984	1985	1984
General Freight				
Small	18.2%	19.8%	5.52	5.78
Medium	27.4	27.6	5.92	6.15
Large	12.0	12.4	3.80	4.04
All General Freight	14.5	15.0	4.07	4.32
Specialized Carriers	36.1%	36.1%	4.89	5.42

Summary

In many measures, 1985 marked the continuation of the negative trends that have affected the trucking industry for more than a half decade, especially in the area of profitability. Also, debt levels increased and interest has grown as a drain on revenues and net operating income. However, by other measures, the year produced some positive changes. Liquidity, for one, was improved. Carrier operating property, in the aggregate, appeared slightly newer as investments in equipment increased faster than depreciation. Thus, despite the profit decline, the industry financial position appears relatively sound, and should firm up even more in the improved financial climate experienced in 1986.

Composite Carrier Group A, B, C, & D

	TOTAL GROUP A				TOTAL GROUP B			
NUMBER OF CARRIERS	293				219			
YEAR	1985		1984		1985		1984	
INCOME STATEMENT	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%
INCOME & EXPENSE DATA								
GROSS REVENUES	787.92	100.0	809.31	100.0	2,553.39	100.0	2,491.75	100.0
DEPRECIATION	35.17	4.5	33.60	4.2	100.29	3.9	90.07	3.6
PURCHASED TRANSPORTATION	139.58	18.2	160.15	19.8	700.77	27.4	688.78	27.6
TOTAL OPERATING EXPENSES	759.19	96.9	792.67	97.9	2,493.05	97.6	2,416.96	97.0
NET CARRIER OPERATING INCOME	8.73	1.1	16.64	2.1	60.34	2.4	74.79	3.0
INTEREST EXPENSE	8.39	1.1	8.50	1.1	28.92	1.1	26.41	1.1
NET INCOME BEFORE TAXES	12.99	1.7	16.41	2.0	45.50	1.8	59.95	2.4
INCOME TAXES-CURRENT	4.38	0.6	5.19	0.6	10.09	0.4	17.35	0.7
DEFERRED INCOME TAXES	0.11	0.0	1.21-	0.1-	4.83	0.2	1.70	0.1
OTHER ADJUSTMENTS TO INCOME	0.32	0.0	1.27-	0.2-	1.22	0.0	0.12-	0.0
INCOME BEFORE EXTRA ITEMS	8.82	1.1	11.16	1.4	31.79	1.2	40.78	1.6
EXTRAORDINARY ITEMS	0.41-	0.1-	9.66	1.2	2.10	0.1	1.00-	0.0
NET INCOME AFTER TAXES	8.41	1.1	20.82	2.6	33.89	1.3	39.78	1.6
BALANCE SHEET								
ASSETS								
CASH	53.11	13.4	54.42	13.3	108.22	10.5	121.85	12.6
RECEIVABLES FROM AFFILIATES	18.73	4.7	15.84	3.9	47.99	4.7	37.26	3.8
NOTES & ACCOUNTS RECEIVABLE	100.04	25.3	96.04	23.9	243.98	24.0	235.66	24.3
PREPAID EXPENSES	15.65	4.0	10.99	2.7	38.40	3.8	32.67	3.4
MATERIALS & SUPPLIES	3.69	0.9	4.33	1.1	15.67	1.5	15.94	1.6
OTHER CURRENT ASSETS	6.17	1.6	5.63	1.4	2.70	0.3	2.55	0.3
TOTAL CURRENT ASSETS	197.39	49.9	189.26	46.2	454.94	44.8	445.95	45.9
CARRIER OPERATING PROPERTY	378.71	95.8	362.14	88.4	967.97	95.3	908.52	93.6
RESERVE FOR DEPRECIATION	239.61	60.6	222.19	54.2	536.50	52.8	503.44	51.9
CARRIER OPERATING PROPERTY NET	139.10	35.2	139.95	34.2	431.47	42.5	405.09	41.7
TOTAL TANGIBLE PROPERTY	156.32	39.6	157.03	38.3	466.02	45.9	436.34	45.0
INTANGIBLES	8.21	2.1	9.38	2.3	14.24	1.4	10.27	1.1
OTHER ASSETS	33.31	8.4	53.99	13.2	80.91	8.0	78.04	8.0
TOTAL ASSETS	395.22	100.0	409.65	100.0	1,016.11	100.0	970.60	100.0
LIABILITIES & EQUITY								
PAYABLES TO AFFILIATES	11.88	3.0	13.92	3.4	53.52	5.3	48.33	5.0
NOTES PAYABLE	14.03	3.5	11.65	2.8	25.42	2.5	17.47	1.8
ACCOUNTS PAYABLE	57.45	14.5	56.88	13.9	113.51	11.2	107.50	11.1
MISC PAYABLES & ACCRUALS	7.64	1.9	7.41	1.8	27.33	2.7	23.00	2.4
TAXES PAYABLE	5.56	1.4	6.26	1.5	12.74	1.3	18.42	1.9
FUNDED DEBT DUE WITHIN ONE YEAR	20.79	5.3	18.23	4.5	63.94	6.3	56.26	5.8
OTHER CURRENT LIABILITIES	13.65	3.5	17.76	4.3	55.43	5.5	53.88	5.6
TOTAL CURRENT LIABILITIES	131.00	33.1	132.10	32.2	351.90	34.6	324.87	33.5
ADVANCES PAYABLE	6.14	1.6	24.69	6.0	35.17	3.5	34.82	3.6
FUNDED DEBT DUE AFTER ONE YEAR	54.23	13.7	51.90	12.7	168.32	16.6	154.06	15.9
TOTAL LONG TERM DEBT	60.37	15.3	76.59	18.7	203.49	20.0	188.88	19.5
TOTAL FUNDED DEBT	75.02	19.0	70.13	17.1	232.26	22.9	210.32	21.7
RESERVES & EST LIABILITIES	5.29	1.3	4.91	1.2	10.26	1.0	9.83	1.0
ACCUM DEFERRED TAX CREDITS	2.89	0.7	3.14	0.8	25.79	2.5	20.56	2.1
TOTAL LIABILITIES	199.54	50.5	216.75	52.9	591.44	58.2	544.15	56.1
STOCKHOLDER'S EQUITY	195.68	49.5	192.91	47.1	424.67	41.8	426.45	43.9
TOTAL CAPITAL	256.05	64.8	269.49	65.8	628.16	61.8	615.33	63.4
TOTAL LIABILITIES & EQUITY	395.22	100.0	409.65	100.0	1,016.11	100.0	970.60	100.0
ANALYTICAL DATA	RATIOS		RATIOS		RATIOS		RATIOS	
OPERATING PERFORMANCE								
GROSS REVENUES TO EQUITY	3.92		4.20		6.01		5.84	
GROSS REVENUES TO TOTAL CAPITAL	3.00		3.00		4.06		4.05	
GROSS REVENUES TO NET CARR OPER PROP	5.52		5.78		5.92		6.15	
GROSS REVENUES TO CARR OPER PROP (COST)	2.03		2.23		2.64		2.74	
PRE-TAX INCOME TO GROSS REVENUES %	1.69		2.03		1.78		2.41	
PRE-TAX INCOME TO TOTAL CAPITAL, %	5.07		6.09		7.24		9.74	
AFTER TAX INCOME TO GROSS REVENUES %	1.15		1.38		1.26		1.64	
AFTER TAX INCOME TO EQUITY, %	4.51		5.79		7.49		9.56	
RETURN ON TRANSPORTATION INVESTMENT, %	4.25		8.44		11.29		14.21	
EXPENSE RATIO %	99.96		98.99		98.77		98.06	
OPERATING RATIO %	98.86		97.94		97.64		97.00	
AVERAGE REVENUE PER CARRIER	2.82		2.76		11.68		11.38	
NET INCOME PER CARRIER	0.03		0.04		0.15		0.19	
LIQUIDITY								
CASH THROW OFF, DOLLARS	43.78		44.82		135.70		132.66	
WORKING CAPITAL, DOLLARS	66.39		57.15		103.05		121.07	
CURRENT RATIO	1.51		1.43		1.29		1.37	
DAYS CASH OPER EXP IN WORK CAP	33.34		27.38		15.65		18.92	
AVERAGE DAYS COLLECTION PERIOD	47.55		44.22		34.87		34.52	
LEVERAGE & DEBT SERVICE								
FUNDED DEBT TO EQUITY	0.38		0.36		0.55		0.49	
NET DEBT TO EQUITY	0.06-		0.03-		0.15		0.08	
FUNDED DEBT TO TANGIBLE NET WORTH	0.40		0.38		0.57		0.51	
CASH THROW TO FUNDED DEBT DUE IN ONE YR %	210.55		245.82		212.24		235.81	
CASH THROW TO TOTAL FUNDED DEBT %	58.36		63.91		58.43		63.06	
INTEREST TO TOTAL FUNDED DEBT %	11.18		12.12		12.45		12.56	
CARRIER PROPERTY (NET) TO EQUITY	0.71		0.73		1.02		0.95	
ADDITIONAL RATIOS								
RECEIVABLES TO PAYABLES	1.40		1.43		1.76		1.89	
DEPREC TO DEBT DUE IN ONE YEAR	1.69		1.84		1.57		1.60	
TOTAL TANG PROP TO EQUITY	0.80		0.81		1.10		1.02	
INCOME BEFORE EXTRA ITEMS ETC TO EQUITY %	4.38		5.70		7.50		9.50	
GROSS REVENUES TO TOTAL TANG PROP	4.91		5.16		5.48		5.71	
PRODUCTIVITY MEASURES (INT-CTY CARR ONLY)								
TOTAL PAYROLL TO REVENUES %	28.55		28.14		25.57		25.35	
TOTAL PAYROLL (WPT) TO REVENUES %	46.34		47.42		53.01		52.89	
CARGO HANDLER COMPEN TO REVENUES %	2.34		2.27		3.11		3.21	
LINEHAUL EXPENSES TO REVENUES %	48.42		49.07		52.25		52.51	
REVENUE PER TON-MILE, CENTS	14.46		15.85		14.59		14.63	
AVERAGE LOAD, TONS	11.51		10.48		11.92		11.78	
TOTAL TONS, THOUS	18,411.30		17,437.81		42,877.78		42,082.01	
TOTAL MILES, THOUS	319,299.89		332,336.30		1,221,940.22		1,202,563.06	

TOTAL GROUP C 105 1985 $ IN MIL	%	1984 $ IN MIL	%	TOTAL A B & C 1985 $ IN MIL	%	1984 $ IN MIL	%	TOTAL D 1010 1985 $ IN MIL	%	1984 $ IN MIL	%
14,151.14	100.0	13,697.77	100.0	17,472.45	100.0	16,998.83	100.0	13,511.51	100.0	13,057.47	100.0
571.99	4.0	501.98	3.7	707.46	4.0	625.65	3.7	560.76	4.2	503.36	3.9
1,698.92	12.0	1,703.93	12.4	2,539.28	14.5	2,552.85	15.0	4,872.62	36.1	4,707.71	36.1
13,568.29	95.9	13,038.68	95.2	16,820.53	96.3	16,248.31	95.6	13,167.06	97.5	12,609.82	96.6
582.85	4.1	659.09	4.8	651.91	3.7	750.52	4.4	344.46	2.5	447.65	3.4
126.65	0.9	110.27	0.8	183.96	0.9	145.18	0.9	188.91	1.4	159.39	1.2
482.07	3.4	572.59	4.2	540.56	3.1	648.95	3.8	293.59	2.2	433.46	3.3
161.63	1.1	161.32	1.2	178.10	1.0	183.86	1.1	79.43	0.6	127.97	1.0
81.42	0.6	70.16	0.5	86.36	0.5	70.65	0.4	18.99	0.1	17.10	0.1
35.94	0.3	32.14	0.2	37.48	0.2	30.74	0.2	13.31	0.1	15.38	0.1
274.97	1.9	373.25	2.7	315.58	1.8	425.19	2.5	208.48	1.5	303.77	2.3
2.70	0.0	2.46	0.0	4.39	0.0	11.12	0.1	0.03-	0.0	5.01	0.0
277.67	2.0	375.71	2.7	319.97	1.8	436.31	2.6	209.45	1.5	308.78	2.4
289.74	4.2	322.61	4.9	449.07	5.4	499.89	6.3	414.90	6.6	423.73	7.6
232.97	3.4	118.61	1.8	299.69	3.6	171.73	2.2	344.87	5.5	298.71	5.4
1,325.12	19.3	1,270.00	19.5	1,669.12	20.2	1,603.70	20.3	1,488.19	23.7	1,282.03	23.0
255.00	3.7	232.70	3.6	309.05	3.7	276.36	3.5	223.85	3.6	189.71	3.4
112.50	1.6	118.07	1.8	131.85	1.6	138.35	1.8	99.04	1.6	103.93	1.9
57.66	0.8	55.04	0.8	66.53	0.8	63.22	0.8	103.90	1.7	77.23	1.4
2,272.99	33.1	2,117.04	32.5	2,925.33	35.3	2,752.24	34.8	2,674.75	42.5	2,375.33	42.7
6,583.78	95.9	6,155.43	94.4	7,930.47	95.8	7,426.10	94.0	5,780.28	91.9	5,176.01	93.0
2,862.39	41.7	2,764.42	42.4	3,638.50	44.0	3,490.05	44.2	3,015.64	47.9	2,767.21	49.7
3,721.39	54.2	3,391.01	52.0	4,291.97	51.8	3,936.05	49.8	2,764.63	43.9	2,408.80	43.3
3,789.89	55.2	3,430.95	52.6	4,412.23	53.3	4,024.32	50.9	2,859.24	45.4	2,511.85	45.2
84.08	1.2	76.43	1.2	106.52	1.3	96.09	1.2	119.85	1.9	92.72	1.7
719.81	10.5	898.50	13.8	834.02	10.1	1,030.52	13.0	638.10	10.1	583.05	10.5
6,866.76	100.0	6,522.92	100.0	8,278.10	100.0	7,903.17	100.0	6,291.94	100.0	5,562.95	100.0
115.98	1.7	106.12	1.6	181.37	2.2	168.37	2.1	308.61	4.9	249.09	4.5
42.27	0.6	29.74	0.5	81.72	1.0	58.87	0.7	162.23	2.6	155.60	2.8
513.33	7.5	511.07	7.8	684.29	8.3	675.44	8.5	673.71	10.7	608.58	10.9
257.95	3.8	182.53	2.8	292.93	3.5	212.94	2.7	102.13	1.6	91.72	1.6
136.96	2.0	115.15	1.8	155.26	1.9	139.83	1.8	74.56	1.2	102.33	1.8
158.95	2.3	132.90	2.0	243.68	2.9	207.40	2.6	403.93	6.4	351.32	6.3
811.79	11.8	707.19	10.8	880.87	10.6	778.83	9.9	337.07	5.4	310.54	5.6
2,037.23	29.7	1,784.70	27.4	2,529.12	30.4	2,241.68	28.4	2,062.24	32.8	1,869.18	33.6
344.66	5.0	461.03	7.1	385.97	4.7	520.54	6.6	354.22	5.6	200.10	3.6
762.27	11.1	679.34	10.4	984.82	11.9	885.30	11.2	1,091.85	17.4	885.78	15.9
1,106.93	16.1	1,140.37	17.5	1,370.79	16.6	1,405.84	17.8	1,446.07	23.0	1,086.87	19.5
921.22	13.4	812.24	12.5	1,228.50	14.8	1,092.70	13.8	1,495.78	23.8	1,237.09	22.2
207.47	3.0	202.37	3.1	223.02	2.7	217.12	2.7	60.20	1.0	49.32	0.9
419.87	6.1	357.94	5.5	448.55	5.4	381.64	4.8	234.15	3.7	207.20	3.7
3,771.49	54.9	3,485.38	53.4	4,562.46	55.1	4,246.27	53.7	3,802.68	60.4	3,211.57	57.7
3,095.27	45.1	3,037.54	46.6	3,715.62	44.9	3,656.90	46.3	2,489.28	39.6	2,351.38	42.3
4,202.20	61.2	4,177.91	64.0	5,086.41	61.4	5,062.73	64.1	3,935.35	62.5	3,437.25	61.8
6,866.76	100.0	6,522.92	100.0	8,278.10	100.0	7,903.17	100.0	6,291.94	100.0	5,562.95	100.0
RATIOS		RATIOS		RATIOS		RATIOS		RATIOS		RATIOS	
4.57		4.51		4.70		4.65		5.43		5.55	
3.37		3.28		3.44		3.36		3.43		3.80	
3.80		4.04		4.07		4.32		4.89		5.42	
2.15		2.23		2.20		2.29		2.34		2.62	
3.41		4.18		3.09		3.82		2.17		3.32	
11.47		13.71		10.63		12.82		7.46		12.61	
1.94		2.72		1.81		2.50		1.54		2.33	
8.88		12.29		8.49		11.63		8.38		12.92	
14.73		17.70		13.88		16.88		10.20		15.38	
96.78		95.99		97.21		96.44		98.85		97.79	
95.88		95.19		96.27		95.58		97.45		96.57	
134.77		130.45		28.32		27.55		13.38		12.93	
2.62		3.55		0.51		0.69		0.21		0.30	
892.44		913.25		1,071.92		1,090.75		774.92		808.85	
235.76		332.34		405.21		510.57		612.51		506.14	
1.12		1.19		1.16		1.23		1.30		1.27	
6.61		9.66		9.16		11.90		17.66		15.19	
34.18		33.84		34.87		34.43		40.20		35.84	
0.30		0.27		0.33		0.30		0.60		0.53	
0.17		0.11		0.12		0.10		0.19		0.16	
0.31		0.27		0.34		0.31		0.63		0.55	
561.45		697.18		439.89		525.93		191.85		230.23	
96.88		112.44		87.25		99.82		51.81		65.38	
13.75		13.58		13.35		13.29		12.63		12.58	
1.20		1.12		1.16		1.08		1.11		1.02	
2.39		2.35		2.18		2.18		1.78		1.68	
3.60		3.78		2.90		3.02		1.39		1.43	
1.22		1.13		1.19		1.10		1.15		1.07	
8.91		12.29		8.51		11.68		8.39		12.91	
3.73		3.99		3.96		4.22		4.73		5.20	
35.09		35.58		33.61		33.95		18.92		18.93	
46.67		47.59		47.50		48.29		56.17		56.23	
7.51		7.73		6.75		6.93		2.48		3.08	
39.64		40.21		41.61		42.17		75.78		75.54	
20.59		19.81		19.30		18.78		11.63		11.79	
12.80		12.95		12.57		12.61		12.86		12.16	
105,289.03		108,039.55		164,378.11		167,559.37		339,380.15		336,125.56	
5,121,678.98		5,076,644.72		6,662,919.07		6,611,748.08		7,025,650.48		7,065,039.51	

CARRIER GROUP A

General Freight Carriers With Revenues Less Than $5 Million Annually

Operating Performance and Profitability

As has been the case in the last few years, the smaller sized general freight carriers continue to underperform their larger counterparts in the critical area of operating performance and profitability. While conditions were not bright anywhere in trucking in 1985, all major carrier segments at least managed some growth in revenues, except the Group A general freight carriers. For them, revenues fell 5.1% compared to 1984. Their revenue decline was associated with slippage in business levels, as tonnage declined 5.9% and mileage was off 3.9%. The revenue decline, thus, may be more understandable in this context; however, the larger general freight carriers (Group C) managed to increase revenues despite a 1.9% drop in tonnage, and the largest of the Group C carriers (those with revenues over $100 million), also had a revenue increase despite tonnage off 7% and mileage down 2.8%. Thus, it appears the smallest general freight carriers are subject to the most intensive competitive pressures, a take it or leave it situation, where it becomes tremendously difficult to generate disproportionate revenues to enhance profitability.

Despite the situation with the Group A overall results, two of the nine regions of smaller sized general freight carriers -- the Northwestern and Middle Atlantic regions -- rank among the top industry groups in overall financial health, and a third, the Rocky Mountain region, is very close (see Summary Scorecard section). For the most part, the strong overall position of these groups reflects superior liquidity, or in the Rocky Mountain case, a superior leverage position. But these three groups are not far behind in profitability. However, with four of the nine Group A regions ranking in the lowest quartile in profitability, Group A's overall results are pulled down.

Among the smaller size general freight carrier regional groups, only the Northwestern managed to improve tonnage, mileage and revenues in 1985. Also improving revenues was the Middle Atlantic, despite a tonnage decline. All other regions showed tonnage and revenue declines year over year. The worst situation appeared to be in the Southwestern region, where tonnage fell 15.9%, mileage by 23.4%, and revenues also by 23.4%. In the other six regions the revenue decline ranged from 2.1% to 6.7%.

With the exception of the Northwestern region, the changes in profitability among the Group A regions were depressing. In most cases it was a result of expenses not falling as fast as the revenue decline (or expenses rising faster than revenues). Two regions, the Midwestern and Southwestern, with operating losses in both 1984 and 1985, are in the worst position. However, of the seven remaining regional groups, profits fell in six, ranging from a 29% decrease in the Middle Atlantic to a 68% decline in the Central.

As stated above, the Northwestern was the exception to declining operating profits, which rose 69%, resulting from revenues (up 1.5%) rising faster than expenses (up 0.6%). From a low net profit base in 1984, the Northwestern region showed a substantial 640% increase in their bottom line. One other region (Rocky Mountain) managed to improve its bottom line, generating profits in 1985 compared to a net loss in 1984, accomplishing this despite a one-third decline in operating profits.

Otherwise, changes in net profits among Group A carrier regions were negative. Two regions ended with net losses in 1985 -- the Midwestern and Southwestern. The Midwestern also had a net loss in 1984. Further, the Central region had zero profits in 1985, and the Southern region saw profits plummet 87%. Elsewhere, profits fell 18% in New England, 22% in the Middle Atlantic and 24% in the Pacific Region.

In ratio form, the profitability measures of the Group A small general freight carriers were inferior across the board to the other major groups in the industry. Their average operating ratio (98.86) was 1.22 points higher than the next highest major group (Group B); their profit margin 0.10 point lower (than Group B); return on equity, 2.98 points lower (than Group B); and return on transportation investment, 5.95 points lower (than Group D).

Among the Group A regions, though, there was a wide range of results in profitability ratios. In operating ratio and return on transportation investment (which uses **operating profits** as its numerator), the Group A regions looked worse. The operating ratios ranged from 97.60 in the Middle Atlantic to 100.92 in the Southwest, the latter second worse in the industry in 1985. Two regions had operating ratios in the 97 range, four in the 98's, one in the 99's and two in the 100's. These clearly are not adequate by historic criteria.

Correspondingly, return on transportation investment was inadequate for virtually all the regions. For two (Midwest and Southwest), it was negative. Only one region (Northwestern) managed a return over 10 percent. Otherwise, the return on transportation investment ranged from 3.28% in New England to 8.77% in Middle Atlantic.

Although the net profit margin and return on equity were also low for the Group overall, there was a wider swing of results among the regions. In net profit margin, the New England region had the fourth best margin (2.64%) in the industry. Also in the upper quartile was the Pacific region at 2.44%. On the other hand, four Group A regions were in the lowest quartile -- the Central, Southern, Midwestern and Southwestern. The Southwestern's net loss in 1985 was the industry's worst profit performance.

Return on equity in Group A ranged from 13.17% in the Northwest down to a negative return in the Southwest.

Leverage

The small general freight carriers in Group A had a fleet (carrier operating property) which was 61% depreciated in 1984, indicating that they operate fairly old equipment, relative to historic norms as well as to other carrier groups. This is not surprising in context of their overall profitability, which should be (but lately isn't) a source of investment funds.

With inferior profits, the alternatives are to find debt capital for investment purposes, or to cut back to only the most essential investments, generally those of a replacement nature.

With continued depressed profits in 1985, the Group A general freight carriers again minimized their investments in carrier operating property. Property at cost was only increased 4.6% above 1984 levels, by far lowest among the major groups in the industry. Charges to depreciation reserve, in comparison, increased 7.8%. As a result, their fleet was even further depreciated at the end of 1985 than in 1984, 63.3%.

Among the Group A regions, in three (Central, Rocky Mountain and Pacific) there appeared to be even some disinvestment in equipment, as carrier operating property at cost declined year to year (one can't ascertain from available data whether it was trucks sold or permanently retired, or perhaps terminal facilities or other structure-type assets). In eight of the nine regions, carrier equipment was more depreciated at the end of 1985 than 1984, indicating the lack of new investment for expansion.

Moreover, Group A carriers' use of owner-operators, the alternative means of acquiring equipment use absent the investment demands on the company, appears to have slacked in 1985. Purchased transportation expenses represented 19.8% of revenues in 1984, falling to 18.2% in 1985, with revenues declining over the period. The small general freight carriers clearly face substantial investment demands in the near future, less costs of repairs and maintenance on their old fleet consume ever increasing portions of revenues, or breakdowns cost them customers.

Minimizing their increase in investments in equipment in 1985 allowed the small general freight carriers to also minimize the amount of additional debt taken on during the year. Funded debt increased by 6.9%, which was under the proportional level of increase seen in most other carrier groups. The range of change in debt by region was wide, however, from a 36% increase in the Southern to a 16% decline in the Northwest. In most all the Group A regions, the proportional increase in debt exceeded the change in operating property at cost. The notable exception was in the Northwest region where debt fell 16% although operating property at cost increased 22% -- indicative of the importance of a profit increase in the investment equation.

At least for the present, given low levels of investment and relatively low levels of increased debt, the debt to equity position of the small general freight carriers appears reasonably favorable. Debt to equity was 0.38 in 1985 for Group A overall, up only slightly from 0.36 in 1984. This compares very favorably with that of their somewhat larger counterparts in Group B (0.55 debt to equity in 1985) and against the specialized carriers in Group D (0.60). Only the very largest general freight carriers (revenues over $100 million) had a lower 1985 debt to equity ratio.

Among Group A's regions, furthermore, the debt to equity ratio appears in line throughout. The range is from 0.16 in the Rocky Mountain region (second lowest in the industry) to 0.51 in the Southern. Four regions are in the 0.30 range and three in the 0.40's.

The interest expense for Group A carriers declined 1.3% despite the 6.9% increase in funded debt. By region, the range of change in interest expense was very wide, showing no apparent direct relation to the year to year change in debt. For example, interest expense declined 16% in the Middle Atlantic region although funded debt increased 12%. In contrast, the Northwest carriers increased interest expense payments 39% although funded debt levels fell 16%. Thus, the maturity date of various loans, lower interest rates, when new debt was obtained, faster than required debt payoffs and the like are coming into play.

The interest expense drain among Group A carriers, however, remains steep in 1985, especially considering the depressed level of operating profits of these carriers. In the Midwestern and Southwestern regions, interest expenses were on top of operating losses, obviously making a bad situation worse. In the Central and Pacific regions, interest expenses were dollarwise greater than operating profits. The minimum interest expense drain on operating profits in Group A regions was 37% in the Northwestern. For Group A overall, interest was the equivalent of 96% of operating profits in 1985, the most severe situation among the major industry groups.

The overall leverage position of the Group A carriers, thus, is hard to categorize as positive. The debt to equity ratio is low, but illusionally so. It stands to increase markedly in the near future if sufficient profits cannot be generated. The interest burden is heavy at present. Can it stand to get worse? The key for these carriers ties to near term profit generation, and sustaining that for a number of years.

Liquidity

On the positive side of financial position is the very satisfactory liquidity position of the small general freight carriers. Group A, among major carrier groups, had the best current ratio in 1984 at 1.43, and managed to improve it to 1.51 by 1985. Working capital improved 16%, far better on average than for the other general freight carrier groups. They enhanced their coverage of daily cash operating expenses from working capital from an average of 27 days in 1984 to over 33 days by 1985, again far superior to other major carrier groups. Only in cash throw generation did they slip, but this was generally the case with all the carrier groups in 1985. Moreover, holding their cash throw decline to 2.3% was remarkable given the decline in net income the small general freight carriers experienced.

In terms of current ratio, four of the nine Group A regions were among the upper quartile in the industry in 1985. The Pacific region had a 1.94 current ratio, second best in the industry in 1985. The Southern region's 1.56 ranked the industry's fourth best, followed by the Middle Atlantic's 1.53 (fifth best) and the Northwestern's 1.51 (sixth best). The lowest current ratio among Group A

Carrier Group A

REGION NUMBER	1		2		3		4	
REGION	NEW ENGLAND		MIDDLE ATLANTIC		CENTRAL		SOUTHERN	
NUMBER OF CARRIERS	25		51		67		40	
YEAR	1985	1984	1985	1984	1985	1984	1985	1984

INCOME STATEMENT

	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%
INCOME & EXPENSE DATA																
GROSS REVENUES	66.28	100.0	67.71	100.0	124.99	100.0	124.74	100.0	148.33	100.0	158.93	100.0	114.30	100.0	117.01	100.0
DEPRECIATION	2.92	4.4	2.59	3.8	6.10	4.9	5.74	4.6	6.10	4.1	6.27	3.9	5.70	5.0	5.24	4.5
PURCHASED TRANSPORTATION	5.79	8.7	8.39	12.4	18.88	15.1	[illegible]	16.2	34.66	23.4	36.28	22.8	19.25	16.8	20.15	17.2
TOTAL OPERATING EXPENSES	65.57	98.9	65.99	97.5	121.99	97.6	120.51	96.6	147.33	99.3	155.75	98.0	112.20	98.2	112.25	95.9
NET CARRIER OPERATING INCOME	0.72	1.1	1.71	2.5	3.00	2.4	4.23	3.4	1.01	0.7	3.18	2.0	2.10	1.8	4.76	4.1
INTEREST EXPENSE	0.53	0.8	0.40	0.6	1.44	1.1	1.70	1.4	1.41	1.0	1.42	0.9	1.35	1.2	1.10	0.9
NET INCOME BEFORE TAXES	2.31	3.5	2.62	3.9	3.12	2.5	4.03	3.2	0.86	0.6	2.59	1.6	1.13	1.0	4.11	3.5
INCOME TAXES-CURRENT	0.52	0.8	0.39	0.6	0.61	0.5	0.63	0.5	0.39	0.3	1.20	0.8	0.56	0.5	1.06	0.9
DEFERRED INCOME TAXES	0.04	0.1	0.03	0.0	0.07	0.1-	0.13	0.1	0.15	0.1	0.04-	0.0	0.01	0.0	0.07-	0.1-
OTHER ADJUSTMENTS TO INCOME	0.00	0.0	0.00	0.0	0.26	0.2	0.46	0.4	0.19-	0.1-	0.07	0.0	0.00	0.0	0.00	0.0
INCOME BEFORE EXTRA ITEMS	1.75	2.6	2.20	3.3	2.64	2.3	3.73	3.0	0.13	0.1	1.50	0.9	0.58	0.5	3.12	2.7
EXTRAORDINARY ITEMS	0.07	0.1	0.03	0.0	0.01	0.0	0.07-	0.1-	0.13-	0.1-	0.01-	0.0	0.15-	0.1-	0.02-	0.0
NET INCOME AFTER TAXES	1.82	2.7	2.24	3.3	2.85	2.3	3.67	2.9	0.00	0.0	1.49	0.9	0.41	0.4	3.11	2.7

BALANCE SHEET

ASSETS																
CASH	4.03	11.8	3.68	11.1	9.30	14.1	8.09	13.2	7.67	11.0	7.17	10.4	6.34	12.5	7.84	15.4
RECEIVABLES FROM AFFILIATES	0.48	1.4	0.27	0.8	4.34	6.6	3.90	6.4	2.65	3.8	1.47	2.1	2.74	5.4	3.70	7.3
NOTES & ACCOUNTS RECEIVABLE	8.43	24.6	8.53	25.7	16.74	25.4	15.61	25.4	23.27	34.5	22.03	31.9	11.86	23.3	12.05	23.7
PREPAID EXPENSES	1.26	3.7	1.33	4.0	3.60	5.5	1.60	2.6	2.24	3.2	1.82	2.6	1.67	3.3	1.15	2.3
MATERIALS & SUPPLIES	0.50	1.4	0.58	1.8	0.66	1.0	0.69	1.1	0.52	0.8	0.56	0.8	0.54	1.1	0.77	1.5
OTHER CURRENT ASSETS	0.04	0.1	0.00	0.0	0.12	0.2	0.22	0.4	4.99	7.2	4.87	7.1	0.13	0.3	0.05	0.1
TOTAL CURRENT ASSETS	14.66	42.8	14.40	43.5	34.76	52.7	30.11	49.1	41.34	59.5	37.92	54.9	23.28	45.8	25.55	50.2
CARRIER OPERATING PROPERTY	42.34	123.7	39.56	119.4	60.93	92.4	57.19	93.2	57.64	83.0	58.55	84.7	59.30	116.7	54.18	106.5
RESERVE FOR DEPRECIATION	24.87	72.7	23.17	69.9	38.77	58.8	35.51	57.9	38.29	55.2	37.29	54.0	35.96	70.8	32.92	64.7
CARRIER OPERATING PROPERTY NET	17.47	51.0	16.39	49.5	22.16	33.6	21.68	35.3	19.35	27.9	21.26	30.8	23.34	45.9	21.26	41.8
TOTAL TANGIBLE PROPERTY	18.83	55.0	17.84	53.8	22.29	33.8	22.40	36.5	21.12	30.4	23.23	33.6	23.46	46.2	21.31	41.9
INTANGIBLES	0.03	0.1	0.06	0.2	0.71	1.1	0.71	1.2	3.08	4.4	3.28	4.7	0.23	0.5	0.32	0.6
OTHER ASSETS	0.71	2.1	0.84	2.5	8.22	12.5	8.14	13.3	3.88	5.6	4.66	6.8	3.85	7.6	3.69	7.3
TOTAL ASSETS	34.23	100.0	33.13	100.0	65.98	100.0	61.36	100.0	69.43	100.0	69.09	100.0	50.82	100.0	50.88	100.0
LIABILITIES & EQUITY																
PAYABLES TO AFFILIATES	0.11	0.3	0.18	0.6	1.57	2.4	1.26	2.1	3.01	4.3	2.59	3.7	1.41	2.8	1.39	2.7
NOTES PAYABLE	0.84	2.4	1.54	4.7	2.59	3.9	1.42	2.3	4.22	6.1	4.01	5.8	0.91	1.8	0.98	1.9
ACCOUNTS PAYABLE	4.29	12.5	4.58	13.8	10.88	16.5	9.42	15.3	14.47	20.8	14.58	21.1	6.85	13.5	7.02	13.8
MISC PAYABLES & ACCRUALS	1.80	5.3	0.55	1.6	0.85	1.3	0.92	1.5	1.28	1.8	1.44	2.1	0.42	0.8	0.74	1.5
TAXES PAYABLE	0.44	1.3	0.38	1.1	0.64	1.0	1.39	2.3	1.47	2.1	1.42	2.1	0.78	1.5	1.02	2.0
FUNDED DEBT DUE WITHIN ONE YEAR	1.54	4.5	1.13	3.4	3.45	5.2	2.98	4.9	3.02	4.4	2.68	3.9	3.75	7.4	3.16	6.2
OTHER CURRENT LIABILITIES	1.22	3.6	2.47	7.5	2.75	4.2	2.78	4.5	2.91	4.2	2.95	4.3	0.81	1.6	0.91	1.8
TOTAL CURRENT LIABILITIES	10.25	30.0	10.83	32.7	22.72	34.4	20.17	32.9	30.40	43.8	29.68	43.0	14.93	29.4	15.22	29.9
ADVANCES PAYABLE	0.65	1.9	0.05	0.1	0.12	0.2	0.43	0.7	0.67	1.0	0.75	1.1	0.50	1.0	0.25	0.5
FUNDED DEBT DUE AFTER ONE YEAR	4.34	12.7	4.27	12.9	7.96	12.0	7.15	11.7	8.27	11.9	8.61	12.5	9.18	18.1	6.87	13.5
TOTAL LONG TERM DEBT	4.99	14.6	4.32	13.0	8.07	12.2	7.58	12.4	8.94	12.9	9.36	13.5	9.68	19.0	7.12	14.0
TOTAL FUNDED DEBT	5.88	17.2	5.40	16.3	11.39	17.3	10.14	16.5	11.29	16.3	11.29	16.3	12.92	25.4	10.03	19.7
RESERVES & EST LIABILITIES	0.00	0.0	0.01	0.0	0.31	0.5	0.40	0.7	0.56	0.8	0.49	0.7	0.07	0.1	0.06	0.1
ACCUM DEFERRED TAX CREDITS	0.16	0.5	0.15	0.5	0.97	1.5	0.92	1.5	1.15	1.7	1.06	1.5	0.56	1.1	0.61	1.2
TOTAL LIABILITIES	15.40	45.0	15.31	46.2	32.07	48.6	29.07	47.4	41.04	59.1	40.59	58.7	25.24	49.7	23.01	45.2
STOCKHOLDER'S EQUITY	18.83	55.0	17.83	53.8	33.91	51.4	32.29	52.6	28.38	40.9	28.51	41.3	25.58	50.3	27.87	54.8
TOTAL CAPITAL	23.82	69.6	22.14	66.8	41.98	63.6	39.57	65.0	37.32	53.8	37.86	54.8	35.25	69.4	34.99	68.8
TOTAL LIABILITIES & EQUITY	34.23	100.0	33.13	100.0	65.98	100.0	61.36	100.0	69.43	100.0	69.09	100.0	50.82	100.0	50.88	100.0

ANALYTICAL DATA

	RATIOS	RATIOS	RATIOS	RATIOS	RATIOS	RATIOS	RATIOS	RATIOS
OPERATING PERFORMANCE								
GROSS REVENUES TO EQUITY	3.52	3.80	3.69	3.86	5.23	5.57	4.47	4.20
GROSS REVENUES TO TOTAL CAPITAL	2.78	3.06	2.98	3.13	3.97	4.20	3.24	3.34
GROSS REVENUES TO NET CARR OPER PROP	3.79	4.13	5.64	5.75	7.67	7.47	4.90	5.50
GROSS REVENUES TO CARR OPER PROP (COST)	1.57	1.71	2.05	2.18	2.57	2.71	1.93	2.16
PRE TAX INCOME TO GROSS REVENUES %	3.48	3.87	2.50	3.23	0.58	1.63	0.99	3.51
PRE TAX INCOME TO TOTAL CAPITAL, %	9.69	11.84	7.43	10.12	2.30	6.83	3.20	11.74
AFTER TAX INCOME TO GROSS REVENUES %	2.84	3.25	2.27	2.99	0.09	0.95	0.49	2.67
AFTER TAX INCOME TO EQUITY, %	9.30	12.36	8.38	11.56	0.44	5.27	2.20	11.21
RETURN ON TRANSPORTATION INVESTMENT, %	3.28	8.58	8.77	13.37	3.33	10.78	6.62	15.06
EXPENSE RATIO %	99.72	98.06	98.75	97.98	100.27	98.89	99.34	96.88
OPERATING RATIO %	98.92	97.47	97.60	96.61	99.32	98.00	98.16	95.93
AVERAGE REVENUE PER CARRIER	2.65	2.71	2.45	2.45	2.60	2.79	2.86	2.93
NET INCOME PER CARRIER	0.07	0.09	0.06	0.07	0.00	0.03	0.01	0.08
LIQUIDITY								
CASH THROW OFF, DOLLARS	4.71	4.82	8.61	9.15	6.57	7.66	6.27	8.29
WORKING CAPITAL, DOLLARS	4.41	3.57	12.04	9.94	10.94	8.24	8.34	10.33
CURRENT RATIO	1.43	1.33	1.53	1.49	1.36	1.28	1.56	1.68
DAYS CASH OPER EXP IN WORK CAP	25.50	20.50	37.83	31.47	28.13	20.01	28.50	35.10
AVERAGE DAYS COLLECTION PERIOD	45.43	45.96	48.90	45.68	57.26	50.60	37.86	37.59
LEVERAGE & DEBT SERVICE								
FUNDED DEBT TO EQUITY	0.31	0.30	0.34	0.31	0.40	0.40	0.51	0.36
NET DEBT TO EQUITY	0.00	0.04	0.12-	0.09-	0.09-	0.01	0.03	0.12-
FUNDED DEBT TO TANGIBLE NET WORTH	0.31	0.30	0.34	0.32	0.45	0.45	0.51	0.36
CASH THROW TO FUNDED DEBT DUE IN ONE YR %	305.29	427.18	249.82	306.82	217.17	265.48	167.45	262.70
CASH THROW TO TOTAL FUNDED DEBT %	80.08	89.30	75.58	90.27	58.18	67.83	48.53	82.70
INTEREST TO TOTAL FUNDED DEBT %	9.06	7.37	12.62	16.82	12.52	12.59	10.41	11.00
CARRIER PROPERTY (NET) TO EQUITY	0.93	0.92	0.65	0.67	0.66	0.75	0.91	0.76
ADDITIONAL RATIOS								
RECEIVABLES TO PAYABLES	1.64	1.39	1.24	1.44	1.24	1.18	1.53	1.51
DEPREC TO DEBT DUE IN ONE YEAR	1.89	2.29	1.77	1.93	2.02	2.34	1.52	1.66
TOTAL TANG PROP TO EQUITY	1.00	1.00	0.66	0.69	0.74	0.81	0.92	0.76
INCOME BEFORE EXTRA ITEMS ETC TO EQUITY %	9.30	12.36	8.38	11.56	0.44	5.27	2.20	11.21
GROSS REVENUES TO TOTAL TANG PROP	3.52	3.80	5.61	5.57	7.02	6.84	4.87	5.49
PRODUCTIVITY MEASURES (INT-CTY CARR ONLY)								
TOTAL PAYROLL TO REVENUES %	41.07	40.89	27.25	26.45	26.13	26.67	28.52	27.85
TOTAL PAYROLL (WPT) TO REVENUES %	45.08	45.28	45.37	45.72	49.21	50.08	44.10	42.94
CARGO HANDLER COMPEN TO REVENUES %	4.71	5.04	2.32	2.46	1.52	1.46	2.22	2.29
LINEHAUL EXPENSES TO REVENUES %	6.17	6.41	43.60	43.00	50.19	49.96	50.24	47.35
REVENUE PER TON MILE, CENTS	45.70	51.18	13.81	14.34	13.66	14.77	14.78	15.94
AVERAGE LOAD, TONS	5.18	4.58	11.91	11.39	12.75	11.86	9.86	9.38
TOTAL TONS, THOUS	629.32	639.27	3,897.83	4,064.25	3,524.17	3,719.94	2,678.03	2,919.98
TOTAL MILES, THOUS	18,204.87	18,046.41	60,817.92	59,393.02	59,269.06	64,600.96	65,374.80	64,174.55

5 NORTHWESTERN 12				6 MIDDLEWESTERN 22				7 SOUTHWESTERN 13				8 ROCKY MOUNTAIN 14				9 PACIFIC 59				TOTAL ALL REGIONS 293			
1985		1984		1985		1984		1985		1984		1985		1984		1985		1984		1985		1984	
$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%
30.21	100.0	29.75	100.0	62.89	100.0	65.81	100.0	43.71	100.0	57.07	100.0	31.78	100.0	33.12	100.0	145.43	100.0	155.17	100.0	787.92	100.0	809.31	100.0
1.09	3.6	0.74	2.5	3.67	5.8	3.46	5.3	3.16	7.2	2.97	5.2	1.24	3.9	1.20	3.6	5.19	3.6	5.39	3.5	35.17	4.6	33.60	4.2
7.27	24.1	10.39	34.9	13.01	20.7	15.81	24.0	4.24	9.7	13.80	24.2	7.83	24.7	6.93	20.9	28.64	19.7	28.19	18.2	139.58	18.2	160.15	19.8
29.50	97.6	29.33	98.6	63.18	100.5	66.30	100.7	44.12	100.9	57.32	100.4	31.38	98.8	32.55	98.3	143.92	99.0	152.87	98.4	759.19	96.9	792.87	97.9
0.71	2.4	0.42	1.4	0.29-	0.5-	0.49-	0.7-	0.40-	0.9-	0.25-	0.4-	0.38	1.2	0.57	1.7	1.50	1.0	2.51	1.6	8.73	1.1	16.64	2.1
0.28	0.9	0.19	0.6	0.65	1.0	0.77	1.2	0.67	1.5	0.58	1.0	0.24	0.8	0.27	0.8	1.84	1.3	2.07	1.3	8.39	1.1	8.50	1.1
0.70	2.3	0.48	1.6	0.26	0.4	0.75-	1.1-	1.76-	4.0-	1.23-	2.2-	0.62	1.9	1.88-	5.7-	5.75	4.0	6.44	4.1	12.99	1.7	16.41	2.0
0.07	0.2	0.30	1.0	0.26	0.4	0.31	0.5	0.05-	0.1-	0.06	0.1-	0.18-	0.6-	0.01-	0.0	2.21	1.5	1.38	0.9	4.38	0.6	5.19	0.6
0.02	0.1	0.00	0.0	0.02-	0.0	0.01-	0.0	0.08-	0.2-	0.02	0.0	0.06	0.2	1.34-	4.0-	0.00	0.0	0.12	0.1	0.11	0.0	1.21-	0.1-
0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.25	0.6	1.77-	3.1-	0.00	0.0	0.00	0.0	0.01	0.0	0.02-	0.0	0.32	0.0	1.27-	0.2-
0.61	2.0	0.18	0.6	0.02	0.0	1.06-	1.6-	1.38	3.2	2.91-	5.1-	0.74	2.3	0.53-	1.6-	3.55	2.4	4.90	3.2	8.82	1.1	11.16	1.4
0.11-	0.4-	0.11-	0.4-	0.06-	0.1-	0.07-	0.1-	0.02	0.0	10.17	17.8	0.01	0.0	0.02-	0.1-	0.01-	0.0	0.25-	0.2-	0.41-	0.1-	9.66	1.2
0.50	1.6	0.07	0.2	0.04-	0.1-	1.12-	1.7-	1.40-	3.2-	7.28	12.7	0.73	2.3	0.55-	1.6-	3.54	2.4	4.65	3.0	8.41	1.1	20.82	2.6
1.09	11.0	2.55	27.5	3.67	10.7	4.16	13.3	2.80	10.0	2.74	8.4	1.86	12.0	3.46	9.0	18.36	18.9	14.71	17.6	53.11	13.4	54.42	13.3
1.40	14.1	0.00	0.0	5.02	14.6	1.61	5.2	0.78	2.8	0.26	0.8	0.56	3.8	2.05	5.3	0.75	0.9	2.57	3.1	18.73	4.7	15.84	3.9
2.63	26.4	2.18	23.5	5.12	14.9	5.37	17.2	4.65	16.5	5.90	18.2	2.55	16.5	2.64	6.9	24.80	28.6	23.73	28.4	100.04	25.3	98.04	23.9
0.25	2.5	0.18	2.0	0.77	2.2	0.67	2.2	1.02	3.6	1.01	3.1	0.13	0.8	0.16	0.4	4.71	5.4	3.06	3.7	15.65	4.0	10.99	2.7
0.07	0.8	0.10	1.0	0.34	1.0	0.36	1.1	0.16	0.6	0.15	0.5	0.19	1.2	0.22	0.6	0.72	0.8	0.92	1.1	3.89	0.9	4.33	1.1
0.05	0.5	0.02	0.2	0.47	1.4	0.12	0.4	0.09	0.3	0.12	0.4	0.02	0.1	0.02	0.0	0.34	0.4	0.21	0.2	6.17	1.6	5.63	1.4
5.50	55.2	5.04	54.2	15.38	44.7	12.30	39.3	9.50	33.7	10.18	31.3	5.30	34.3	8.54	22.2	47.67	54.9	45.21	54.1	197.39	49.9	189.26	48.2
10.57	106.1	8.65	93.1	40.92	118.9	38.28	122.3	28.54	101.4	26.82	82.5	11.69	75.6	12.07	31.4	66.77	77.0	66.84	79.9	378.71	95.8	362.14	88.4
6.38	64.0	4.70	50.6	24.63	71.6	21.20	67.8	16.67	59.2	14.20	43.7	7.76	50.1	7.90	20.5	48.28	53.3	45.30	54.2	239.61	60.6	222.19	54.2
4.19	42.1	3.95	42.5	16.29	47.3	17.06	54.6	11.87	42.2	12.61	38.8	3.94	25.4	4.17	10.8	20.49	23.6	21.54	25.8	139.10	35.2	139.95	34.2
4.19	42.1	3.95	42.5	16.57	48.1	17.36	55.5	11.87	42.2	12.62	38.8	4.43	28.7	4.69	12.2	33.55	38.7	33.63	40.2	156.32	39.6	157.03	38.3
0.02	0.2	0.02	0.2	0.56	1.6	0.63	2.0	2.84	10.1	3.33	10.3	0.22	1.4	0.25	0.7	0.52	0.6	0.78	0.9	8.21	2.1	9.38	2.3
0.25	2.5	0.28	3.1	1.91	5.6	1.00	3.2	3.94	14.0	6.36	19.6	5.52	35.7	24.99	65.0	5.02	5.8	4.01	4.8	33.31	8.4	53.99	13.2
9.97	100.0	9.29	100.0	34.42	100.0	31.29	100.0	28.15	100.0	32.50	100.0	15.48	100.0	38.47	100.0	86.76	100.0	83.64	100.0	395.22	100.0	409.65	100.0
0.31	3.1	0.16	1.7	3.53	10.3	5.41	17.3	0.00	0.0	0.01	0.0	1.02	6.6	1.04	2.7	0.90	1.0	1.88	2.2	11.88	3.0	13.92	3.4
0.94	9.4	0.55	6.0	1.74	5.1	0.76	2.4	0.03	0.1	0.00	0.0	0.63	4.1	0.64	1.7	2.13	2.5	1.74	2.1	14.03	3.5	11.65	2.8
1.52	15.3	1.18	12.7	4.29	12.5	5.21	16.7	2.06	7.3	2.78	8.5	1.69	10.9	1.55	4.0	11.38	13.1	10.55	12.6	57.45	14.5	56.88	13.9
0.12	1.2	0.18	1.9	0.52	1.5	0.59	1.9	0.43	1.5	0.41	1.3	0.42	2.7	0.50	1.3	1.79	2.1	2.07	2.5	7.64	1.9	7.41	1.8
0.07	0.7	0.12	1.3	0.79	2.3	0.30	1.0	0.41	1.5	0.32	1.0	0.20	1.3	0.15	0.4	1.15	1.3	1.16	1.4	5.56	1.4	6.26	1.6
0.27	2.7	0.25	2.7	1.67	4.9	2.02	6.5	2.69	9.6	2.28	7.0	0.32	2.1	0.20	0.5	4.08	4.7	3.53	4.2	20.79	5.3	18.23	4.5
0.42	4.2	0.56	6.1	0.69	2.0	0.83	2.7	1.19	4.2	3.22	9.9	0.53	3.4	0.57	1.5	3.13	3.6	3.47	4.1	13.65	3.5	17.76	4.3
3.68	36.7	3.01	32.4	13.25	38.5	15.12	48.3	6.81	24.2	9.02	27.7	4.42	28.5	4.65	12.1	24.56	28.3	24.40	29.2	131.00	33.1	132.10	32.2
0.02	0.2	0.10	1.1	1.76	5.1	0.09	0.3	0.57	2.0	0.57	1.8	0.27	1.7	21.25	55.2	1.58	1.8	1.20	1.4	6.14	1.6	24.69	6.0
1.53	15.3	1.88	20.3	5.10	14.8	3.87	12.4	4.49	15.9	4.47	13.7	0.94	6.1	1.02	2.6	12.45	14.3	13.78	16.5	54.23	13.7	51.90	12.7
1.55	15.6	1.99	21.4	6.85	19.9	3.95	12.6	5.06	18.0	5.04	15.5	1.21	7.8	22.27	57.9	14.02	16.2	14.96	17.9	60.37	15.3	76.59	18.7
1.80	18.0	2.13	23.0	6.77	19.7	5.89	18.8	7.18	25.5	6.74	20.8	1.27	8.2	1.22	3.2	16.52	19.0	17.30	20.7	75.02	19.0	70.13	17.1
0.03	0.3	0.03	0.3	0.08	0.2	0.08	0.2	0.10	0.4	0.10	0.3	3.17	20.4	3.15	8.2	0.96	1.1	0.59	0.7	5.29	1.3	4.91	1.2
0.10	1.0	0.10	1.1	0.01	0.0	0.28	0.9	0.30	1.1	0.38	1.2	1.09	7.1	1.05	2.7	0.74	0.8	0.70	0.8	2.89	0.7	3.14	0.8
5.34	53.6	5.13	55.2	20.19	58.7	19.43	62.1	12.27	43.6	14.53	44.7	7.71	49.8	29.02	75.4	40.28	46.4	40.66	48.8	199.54	50.5	216.75	52.9
4.63	46.4	4.16	44.8	14.23	41.3	11.85	37.9	15.88	56.4	17.97	55.3	7.77	50.2	9.45	24.6	46.48	53.6	42.98	51.4	195.68	49.5	192.91	47.1
6.18	62.0	6.15	66.2	21.08	61.2	15.81	50.5	20.93	74.4	23.00	70.8	8.99	58.1	31.73	82.5	60.50	69.7	57.94	69.3	256.05	64.8	269.49	65.8
9.97	100.0	9.29	100.0	34.42	100.0	31.29	100.0	28.15	100.0	32.50	100.0	15.48	100.0	38.47	100.0	86.76	100.0	83.64	100.0	395.22	100.0	409.65	100.0
RATIOS		RATIOS		RATIOS		RATIOS		RATIOS		RATIOS		RATIOS		RATIOS		RATIOS		RATIOS		RATIOS		RATIOS	
6.53		7.15		4.42		5.55		2.75		3.18		4.09		3.50		3.13		3.61		3.92		4.20	
4.89		4.84		2.98		4.16		2.09		2.48		3.53		1.04		2.40		2.68		3.00		3.00	
7.21		7.53		3.86		3.85		3.68		4.52		8.07		7.94		7.10		7.20		5.52		5.78	
2.86		3.44		1.54		1.72		1.53		2.13		2.72		2.74		2.18		2.32		2.03		2.23	
2.33		1.61		0.41		1.14-		4.02-		2.15-		1.95		5.66-		3.96		4.15		1.69		2.03	
11.40		7.81		1.24		4.73-		8.41		5.34		6.88		5.91-		9.51		11.11		5.07		6.09	
2.02		0.61		0.04		1.59		3.16-		5.10		2.32		1.59-		2.44		3.16		1.15		1.36	
13.17		4.33		0.16		8.84		8.70		16.20-		9.50		5.57-		7.64		11.41		4.51		5.79	
11.84		7.06		1.57-		3.44		2.76-		1.82		7.80		7.05		3.45		5.93		4.25		8.44	
98.49		99.21		101.50		101.91		102.44		101.45		99.59		99.11		100.23		99.72		99.96		98.99	
97.63		98.58		100.46		100.75		100.92		100.44		98.82		98.28		98.97		98.38		98.86		97.94	
2.52		2.48		2.86		2.99		3.36		4.39		2.27		2.37		2.48		2.63		2.62		2.76	
0.05		0.02		0.00		0.05-		0.11-		0.22-		0.05		0.04-		0.06		0.08		0.03		0.04	
1.72		0.91		3.67		2.40		1.46		1.80		2.04		0.66-		8.73		10.44		43.78		44.82	
1.85		2.02		2.13		2.82-		2.69		1.16		0.88		3.90		23.11		20.81		66.39		57.15	
1.51		1.67		1.16		0.81		1.39		1.13		1.20		1.84		1.94		1.85		1.51		1.43	
23.69		25.68		13.01		16.32-		23.90		7.78		10.83		45.11		60.59		51.41		33.34		27.36	
31.76		26.80		29.69		29.81		38.82		37.73		29.26		29.05		62.23		55.82		47.55		44.22	
0.39		0.51		0.48		0.50		0.45		0.38		0.16		0.13		0.36		0.40		0.38		0.38	
0.07		0.03		0.21		0.56		0.11		0.18		0.01		0.30		0.23		0.16		0.06		0.03	
0.39		0.52		0.50		0.52		0.55		0.46		0.17		0.13		0.36		0.41		0.40		0.38	
639.53		362.87		219.10		118.62		54.13		79.25		632.68		329.66		214.17		295.61		210.55		245.82	
95.77		42.81		54.20		40.76		20.29		26.74		161.03		54.06		52.85		60.37		58.36		63.91	
14.33		8.70		9.64		13.02		9.27		8.55		19.33		22.45		11.13		11.99		11.18		12.12	
0.91		0.95		1.14		1.44		0.75		0.70		0.51		0.44		0.44		0.50		0.71		0.73	
1.07		1.26		0.85		0.90		2.22		2.12		1.09		1.20		1.84		1.93		1.40		1.43	
4.05		2.93		2.19		1.71		1.18		1.30		3.86		6.02		1.27		1.53		1.69		1.84	
0.91		0.95		1.16		1.46		0.75		0.70		0.57		0.50		0.72		0.78		0.80		0.81	
13.17		4.33		0.16		8.84-		10.27-		6.35-		9.50		5.57-		7.64		11.41		4.38		6.70	
7.21		7.53		3.80		3.79		3.68		4.52		7.16		7.07		4.33		4.61		4.91		5.15	
23.53		24.55		28.07		27.40		29.59		23.51		18.32		21.47		30.31		31.52		28.55		28.14	
50.50		54.11		47.90		50.93		40.48		50.86		48.91		47.61		48.94		46.39		46.34		47.42	
2.60		2.11		3.10		3.08		1.97		1.64		2.33		1.95		1.88		1.61		2.34		2.27	
54.38		57.48		54.98		56.08		59.45		67.12		64.91		63.70		58.92		59.72		48.42		49.07	
7.14		9.29		13.70		15.72		13.33		15.60		14.41		12.80		14.70		17.44		14.46		15.85	
16.30		12.82		12.63		10.48		10.90		9.30		9.41		11.13		13.75		11.37		11.51		10.48	
394.79		338.56		1,058.51		1,178.82		875.17		1,040.48		409.20		494.09		2,944.29		3,042.42		16,411.30		17,437.81	
13,509.89		12,837.96		28,237.23		31,853.33		23,440.37		30,587.37		15,809.43		16,387.58		34,636.74		34,457.13		319,299.89		332,338.30	

regions was that of the Midwestern carriers at 1.16, which is still an adequate liquidity measure by historic industry standards. Moreover, the Midwestern's present current ratio is a vast improvement from a 0.81 in 1984. Only the Rocky Mountain region had a significant decline in current ratio, which dropped from 1.84 to 1.20, a product of a 77% slip in working capital.

Working capital generally improved within Group A, with five regions showing percentage gains and one, positive working capital in 1985 compared to negative working capital in 1984. Three regions did, however, show declining working capital, led by the Rocky Mountain's 77% drop. The other two were the Southern and Northwestern regions.

The working capital coverage of daily cash operating expenses, 33 days for Group A overall, reflected some range of results. Five of the regions had coverage in the 20 to 30 day range. Another region is at 38 days, and one, the Pacific, at over 60 days. Two regions are slightly low compared to the Group A average, but appear reasonably sound nonetheless. These are the Rocky Mountain at 11 days coverage, and the Midwestern at 13 days.

The liquidity position of Group A carriers is, on average fairly stong, and indeed the strongest of their financial measures of profitability, leverage and liquidity. As stated above, the key for the group is to improve profitability, which should decrease their need for debt, or at least make the debt obligation more affordable. This will likely remain their challenge for a number of years to come.

Performance in 1986

The industry has shown substantial improvements in performance and profitability in 1986, tied mainly to higher tonnage and mileage enhancing revenues and fuel price declines holding overall expense increases at bay. However, the smaller general freight carriers have again appeared to lag the improvements registered elsewhere in the intercity trucking business. Based on quarterly reports filed with the Interstate Commerce Commission by smaller general freight carriers (72 carriers -- a much smaller "sample" than those filing annual reports), revenues through nine months of 1986 have grown 1.3% as tonnage increased 0.1% and mileage 7.8%. The larger Class I general freight carriers, in contrast, show nine month revenue growth of 7.6%, tonnage up 3.2% and mileage, 6.2%.

The smaller general freight firms, with earnings far under the norm of general freight carriers overall have managed an improvement in earnings, up 18%, as expenses have been held to a 0.7% gain. Again, however, the larger general freight carriers have outperformed them, improving net income 62%. Thus, while the 1986 year to date improvements are positive for both large and small general freight carriers, the slack business of the smaller carriers, coupled with their very slight revenue and earnings growth, keeps them in a far more vulnerable position than their larger counterparts.

General Freight Carriers With Revenues Between $5 Million And $25 Million Annually

Operating Performance and Profitability

The medium size general freight carriers in Group B didn't perform too badly in the generally depressing environment for trucking in 1985. Overall, the group experienced gains, albeit small, in tonnage, mileage and revenues from 1984 to 1985, compared to across the board declines for small Group A general freight carriers, and a tonnage decline for the larger Group C carriers. While expenses increased faster than revenues to erode profitability in the group, the decline was not nearly as steep as for Group A or Group C. Their profits are not healthy, but profits were not healthy anywhere in trucking in 1985.

As was the case with Group A regional breakdowns, some performed better than others, and some lagged appreciably. Two of the regional groups of medium size general freight carriers ranked among the industry's best in overall financial performance in 1985, the New England region and the Pacific. The New England region was the industry's least leveraged, and ranked third best in overall liquidity. The Pacific region was in the upper quartile in profitability, liquidity and leverage. In addition, the Midwestern region ranked very strongly in profitability (third best overall), and the Rocky Mountain region was strong (fourth best) in the industry in liquidity.

On the other hand, numerous regions within Group B underperformed. In the lower quartile in overall measures of financial strength were the Middle Atlantic, Northwestern and Southwestern. It's an interesting contrast to Group A that its Middle Atlantic and Northwestern regions were among the industry's strongest performing groups, while the same regions in Group B -- larger general freight carriers -- were among the weakest performers. The Southwestern region carriers in both Groups A and B, are, however, among the weakest performers in the industry.

For medium size general freight carriers, tonnage increased 1.4% and mileage 1.6%, leading to a revenue improvement of 2.5% for the group overall. Among the regions, about half increased their mileage and tonnage, but in revenues, seven of the nine regions experienced gains -- the Middle Atlantic and Northwest being the exceptions. The largest revenue gain was in the Southwest, 8.4%, followed by the Midwest at 8.1%. In the Central and Southern regions, revenues were improved only about 1%. Otherwise, in the remaining three regions, revenue gains centered around 2.5%.

Based on changes in expenses and other non-operating adjustments to income, operating profits and net profits turned down in six of the nine regions in 1985. In both the Northwest and Middle Atlantic regions, expenses rose despite the decline in revenues. The Middle Atlantic region saw operating profits drop 26% and net income 19%. In the Northwest, the adverse changes turned 1984 profits into losses. The Southwestern region experienced an 86% drop in net income, and the Rocky Mountain region, a 49% decline.

The three regions which improved net income in 1985 were the New England region, up 12%, the Pacific region, up 30%, and the Southern region, where net income more than doubled.

The operating ratio of Group B carriers was 97.64 in 1985, standing between that of Group A (98.86) and Group C's larger carriers (95.88). Within Group B, the range of operating ratios was between 95.70 (Midwestern) to 101.44 (Northwestern) - worst in the industry. Two other regions were in the 95 range in operating ratio (Southwest and Rocky Mountain). The remaining regions were in the 97's to 99's.

The profit margin among medium size general freight carriers also showed a fairly wide spread, although generally on the low side. The best performer was the Midwest at 2.55%, followed by the Pacific's 2.51% and New England's 2.29%. Three regions were in the one percent range (Middle Atlantic, Southern and Rocky Mountain), followed by the Central at 0.59%, the Southwestern's 0.34%, and the Northwestern region, with a net loss.

The regional rankings within Group B were roughly the same for the other measures of profitability - return on equity and return on transportation investment. In return on equity, the Midwestern region led the rest with a 19.3% return, second best in the industry in 1985. They were followed, in turn, by the Pacific and New England regions. The Northwestern again brought up the rear, as they did in return on transportation investment. Best in this latter measure was the Midwestern region (20.9% return), followed by the Pacific (18.6%), Southwestern (17.2%) and Rocky Mountain (15.5%).

Thus, some of the profit performance among the medium size general freight carriers was quite good. Returns of over 10% in the trying environment of 1985, let alone near 20% (or above) are a tribute to management, and maybe a dose of good fortune. However, other returns within these regions were inadequate, if not poor. The importance of turning them around cannot be overstated, less there be more casualties in the trucking business.

Liquidity

The liquidity of Group B's carriers generally dropped off in 1985, unlike that of their smaller peers in Group A. With their lesser decline in operating profits, Group B carriers managed to improve cash throw from 1984 to 1985, largely a result of increases in depreciation expenses, up 11.3% year to year. Otherwise, working capital declined, the current ratio fell and coverage of daily cash operating expenses from working capital dropped.

Cash throw, which increased 2.3% for Group B overall, did not improve in all the regions. In three, it fell, most notably by 47% in the Northwestern region - not surprising given their problems in earnings. Cash throw also dropped in the Southwest by 27% and the Rocky Mountain region by 5%. Growth in cash throw occurred in six regions, but was generally moderate. The Midwestern region led with a 15% increase, followed by

Carrier Group B

REGION NUMBER	1				2				3				4			
REGION	NEW ENGLAND				MIDDLE ATLANTIC				CENTRAL				SOUTHERN			
NUMBER OF CARRIERS	8				28				45				45			
YEAR	1985		1984		1985		1984		1985		1984		1985		1984	
INCOME STATEMENT	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%
INCOME & EXPENSE DATA																
GROSS REVENUES	84.69	100.0	82.85	100.0	293.45	100.0	294.65	100.0	560.77	100.0	555.83	100.0	497.59	100.0	491.94	100.0
DEPRECIATION	2.29	2.7	2.25	2.7	13.18	4.5	11.42	3.9	18.42	3.3	16.92	3.0	25.21	5.1	22.79	4.6
PURCHASED TRANSPORTATION	13.60	16.1	15.12	18.2	75.70	25.8	77.05	26.2	152.15	27.1	149.37	26.9	123.63	24.8	127.47	25.9
TOTAL OPERATING EXPENSES	83.67	98.8	81.30	98.1	288.13	98.2	287.45	97.6	555.23	99.0	541.33	97.4	485.06	97.5	483.31	98.2
NET CARRIER OPERATING INCOME	1.02	1.2	1.56	1.9	5.32	1.8	7.20	2.4	5.53	1.0	14.50	2.6	12.52	2.5	8.63	1.8
INTEREST EXPENSE	0.32	0.4	0.18	0.2	4.30	1.5	3.91	1.3	4.35	0.8	4.34	0.8	6.64	1.3	5.43	1.1
NET INCOME BEFORE TAXES	2.24	2.6	2.11	2.6	4.88	1.7	6.60	2.2	5.00	0.9	8.65	1.6	9.06	1.8	8.75	1.8
INCOME TAXES-CURRENT	0.29	0.3	0.47	0.6	1.40	0.5	2.15	0.7	0.33	0.1	4.05	0.7	1.02	0.2	2.29	0.5
DEFERRED INCOME TAXES	0.01	0.0	0.05-	0.1-	0.00	0.0	0.18	0.1	1.52	0.3	0.42	0.1	1.62	0.3	1.24	0.3
OTHER ADJUSTMENTS TO INCOME	0.00	0.0	0.00	0.0	0.01	0.0	0.04	0.0	0.17	0.0	0.08	0.0	0.27	0.1	0.26	0.1
INCOME BEFORE EXTRA ITEMS	1.94	2.3	1.69	2.0	3.49	1.2	4.30	1.5	3.32	0.6	4.26	0.8	6.68	1.3	5.47	1.1
EXTRAORDINARY ITEMS	0.04	0.1	0.09	0.1	0.00	0.0	0.00	0.0	0.01-	0.0	0.11	0.0	2.19	0.4	1.19-	0.2-
NET INCOME AFTER TAXES	1.98	2.3	1.77	2.1	3.49	1.2	4.30	1.5	3.31	0.6	4.37	0.8	8.87	1.8	4.26	0.9
BALANCE SHEET																
ASSETS																
CASH	4.65	18.3	5.96	21.8	12.22	9.4	11.28	9.1	23.03	11.7	26.96	14.1	26.62	11.5	29.30	13.6
RECEIVABLES FROM AFFILIATES	0.82	3.2	0.36	1.3	4.31	3.3	4.88	3.9	10.89	5.5	7.26	3.8	4.93	2.1	1.91	0.9
NOTES & ACCOUNTS RECEIVABLE	11.64	45.9	11.50	42.0	30.01	23.1	30.37	24.5	48.79	24.8	47.48	24.9	41.89	18.2	38.87	18.0
PREPAID EXPENSES	0.70	2.8	0.62	2.3	4.39	3.4	3.20	2.6	7.04	3.6	6.27	3.3	8.01	3.5	6.91	3.2
MATERIALS & SUPPLIES	0.38	1.5	0.29	1.1	2.44	1.9	2.70	2.2	3.28	1.7	3.49	1.8	3.07	1.3	2.76	1.3
OTHER CURRENT ASSETS	0.00	0.0	0.08	0.3	0.15	0.1	0.14	0.1	0.23	0.1	0.52	0.3	0.39	0.2	0.28	0.1
TOTAL CURRENT ASSETS	18.19	71.7	18.81	68.7	53.51	41.2	52.58	42.4	93.25	47.3	91.99	48.2	84.92	36.8	80.03	37.1
CARRIER OPERATING PROPERTY	24.89	98.2	25.22	92.2	122.76	94.4	113.42	91.5	197.24	100.1	191.73	100.4	228.43	99.0	219.70	101.8
RESERVE FOR DEPRECIATION	18.39	72.5	18.08	66.1	71.02	54.6	62.15	50.1	111.68	56.7	111.60	58.4	120.25	52.1	115.98	53.7
CARRIER OPERATING PROPERTY NET	6.50	25.6	7.14	26.1	51.74	39.8	51.26	41.3	85.56	43.4	80.13	42.0	108.18	46.9	103.71	48.0
TOTAL TANGIBLE PROPERTY	6.50	25.6	7.80	28.5	69.35	53.3	64.59	52.1	91.80	46.6	86.97	45.5	103.96	47.2	105.75	49.0
INTANGIBLES	0.02	0.1	0.02	0.1	1.01	0.8	1.06	0.9	4.76	2.4	4.61	2.4	4.70	2.0	1.09	0.5
OTHER ASSETS	0.65	2.6	0.73	2.7	6.12	4.7	5.79	4.7	7.26	3.7	7.39	3.9	32.16	13.9	28.97	13.4
TOTAL ASSETS	25.36	100.0	27.37	100.0	129.99	100.0	124.01	100.0	197.08	100.0	190.95	100.0	230.73	100.0	215.85	100.0
LIABILITIES & EQUITY																
PAYABLES TO AFFILIATES	0.01-	0.0	0.09-	0.3-	12.32	9.5	15.85	12.8	10.61	5.4	9.71	5.1	10.23	4.4	7.34	3.4
NOTES PAYABLE	0.02	0.1	0.54	2.0	1.97	1.5	1.98	1.6	9.10	4.6	6.19	3.2	4.14	1.8	3.20	1.5
ACCOUNTS PAYABLE	3.31	13.0	3.84	14.0	16.03	12.3	15.40	12.4	22.79	11.6	21.76	11.4	19.87	8.6	19.73	9.1
MISC PAYABLES & ACCRUALS	1.08	4.3	1.22	4.5	2.83	2.2	2.85	2.3	6.77	3.4	5.46	2.9	3.89	1.7	3.71	1.7
TAXES PAYABLE	0.11	0.4	0.47	1.7	1.89	1.5	3.08	2.5	1.45	0.7	3.05	1.6	1.00	0.4	1.98	0.9
FUNDED DEBT DUE WITHIN ONE YEAR	0.79	3.1	0.54	2.0	8.19	6.3	7.45	6.0	9.68	4.9	8.81	4.6	13.16	5.7	14.34	6.6
OTHER CURRENT LIABILITIES	2.85	11.3	2.24	8.2	6.79	5.2	5.59	4.5	12.97	6.6	13.74	7.2	9.60	4.2	9.25	4.3
TOTAL CURRENT LIABILITIES	8.16	32.2	8.77	32.0	50.03	38.5	52.21	42.1	73.37	37.2	68.73	36.0	61.89	26.8	59.55	27.6
ADVANCES PAYABLE	0.12	0.5	0.10	0.4	4.35	3.3	4.28	3.4	6.07	3.1	6.63	3.5	5.92	2.6	3.44	1.6
FUNDED DEBT DUE AFTER ONE YEAR	1.35	5.3	2.24	8.2	23.29	17.9	19.73	15.9	30.20	15.3	22.89	12.0	37.87	16.4	38.68	17.9
TOTAL LONG TERM DEBT	1.47	5.8	2.35	8.6	27.65	21.3	24.01	19.4	36.27	18.4	29.52	15.5	43.80	19.0	42.12	19.5
TOTAL FUNDED DEBT	2.14	8.4	2.78	10.2	31.49	24.2	27.18	21.9	39.87	20.2	31.70	16.6	51.03	22.1	53.01	24.6
RESERVES & EST LIABILITIES	0.89	3.5	0.92	3.4	2.01	1.5	0.93	0.8	0.74	0.4	0.86	0.5	1.60	0.7	1.78	0.8
ACCUM DEFERRED TAX CREDITS	0.17	0.7	0.31	1.1	2.92	2.2	2.53	2.0	7.62	3.9	5.31	2.8	6.12	2.7	5.80	2.7
TOTAL LIABILITIES	10.69	42.1	12.34	45.1	82.60	63.5	79.68	64.3	117.99	59.9	104.43	54.7	113.41	49.2	109.24	50.6
STOCKHOLDER'S EQUITY	14.67	57.9	15.02	54.9	47.39	36.5	44.33	35.7	79.08	40.1	86.53	45.3	117.32	50.8	106.60	49.4
TOTAL CAPITAL	16.14	63.7	17.37	63.5	75.03	57.7	68.34	55.1	115.35	58.5	116.05	60.8	161.12	69.8	148.72	68.9
TOTAL LIABILITIES & EQUITY	25.36	100.0	27.37	100.0	129.99	100.0	124.01	100.0	197.08	100.0	190.95	100.0	230.73	100.0	215.85	100.0
ANALYTICAL DATA	RATIOS		RATIOS		RATIOS		RATIOS		RATIOS		RATIOS		RATIOS		RATIOS	
OPERATING PERFORMANCE																
GROSS REVENUES TO EQUITY	5.77		5.51		6.19		6.65		7.09		6.42		4.24		4.61	
GROSS REVENUES TO TOTAL CAPITAL	5.25		4.77		3.91		4.31		4.86		4.79		3.09		3.31	
GROSS REVENUES TO NET CARR OPER PROP	13.03		11.61		5.67		5.75		6.55		6.94		4.60		4.74	
GROSS REVENUES TO CARR OPER PROP (COST)	3.40		3.29		2.39		2.60		2.84		2.90		2.18		2.24	
PRE-TAX INCOME TO GROSS REVENUES %	2.64		2.55		1.66		2.24		0.89		1.56		1.82		1.78	
PRE-TAX INCOME TO TOTAL CAPITAL, %	13.87		12.17		6.50		9.65		4.34		7.45		5.62		5.88	
AFTER TAX INCOME TO GROSS REVENUES %	2.29		2.03		1.19		1.46		0.59		0.77		1.34		1.11	
AFTER TAX INCOME TO EQUITY, %	13.19		11.22		7.37		9.70		4.19		4.92		5.70		5.13	
RETURN ON TRANSPORTATION INVESTMENT, %	6.17		9.06		9.63		13.94		5.25		14.03		9.55		6.95	
EXPENSE RATIO %	99.17		98.34		99.65		98.89		99.79		98.17		98.82		99.35	
OPERATING RATIO %	98.80		98.12		98.19		97.56		99.01		97.39		97.48		96.25	
AVERAGE REVENUE PER CARRIER	10.59		10.36		10.48		10.52		12.46		12.35		11.06		10.93	
NET INCOME PER CARRIER	0.24		0.21		0.12		0.15		0.07		0.09		0.15		0.12	
LIQUIDITY																
CASH THROW OFF, DOLLARS	4.24		3.89		16.66		15.87		23.09		21.52		33.25		29.25	
WORKING CAPITAL, DOLLARS	10.03		10.05		3.48		0.37		19.88		23.26		23.03		20.48	
CURRENT RATIO	2.23		2.15		1.07		1.01		1.27		1.34		1.37		1.34	
DAYS CASH OPER EXP IN WORK CAP	44.93		46.29		4.61		0.49		13.44		16.14		18.18		16.17	
AVERAGE DAYS COLLECTION PERIOD	50.15		50.68		37.33		37.62		31.75		31.18		30.73		28.84	
LEVERAGE & DEBT SERVICE																
FUNDED DEBT TO EQUITY	0.15		0.19		0.66		0.61		0.50		0.37		0.44		0.50	
NET DEBT TO EQUITY	0.59		0.52		0.42		0.44		0.13		0.00		0.13		0.17	
FUNDED DEBT TO TANGIBLE NET WORTH	0.15		0.19		0.68		0.63		0.54		0.39		0.45		0.50	
CASH THROW TO FUNDED DEBT DUE IN ONE YR %	536.33		724.03		203.30		213.08		238.63		244.20		252.68		204.01	
CASH THROW TO TOTAL FUNDED DEBT %	198.30		139.86		52.90		58.39		57.91		67.88		65.16		55.17	
INTEREST TO TOTAL FUNDED DEBT %	15.00		6.55		13.66		14.40		10.92		13.70		13.01		10.24	
CARRIER PROPERTY (NET) TO EQUITY	0.44		0.48		1.09		1.16		1.08		0.93		0.92		0.97	
ADDITIONAL RATIOS																
RECEIVABLES TO PAYABLES	3.49		2.63		1.67		1.75		1.53		1.70		1.74		1.70	
DEPREC TO DEBT DUE IN ONE YEAR	2.90		4.19		1.61		1.53		1.90		1.92		1.92		1.59	
TOTAL TANG PROP TO EQUITY	0.44		0.52		1.46		1.46		1.16		1.01		0.93		0.99	
INCOME BEFORE EXTRA ITEMS ETC TO EQUITY %	13.19		11.22		7.37		9.70		4.19		4.92		5.73		4.85	
GROSS REVENUES TO TOTAL TANG PROP	13.03		10.63		4.23		4.56		6.11		6.39		4.57		4.65	
PRODUCTIVITY MEASURES (INT-CTY CARR ONLY)																
TOTAL PAYROLL TO REVENUES %	33.11		32.40		27.17		27.27		28.91		28.23		24.88		24.24	
TOTAL PAYROLL (WPT) TO REVENUES %	50.13		51.41		51.12		51.76		56.68		55.68		49.29		49.60	
CARGO HANDLER COMPEN TO REVENUES %	4.26		4.59		3.19		3.28		3.03		3.31		2.61		2.37	
LINEHAUL EXPENSES TO REVENUES %	21.97		23.54		46.60		48.46		51.60		51.34		56.28		57.79	
REVENUE PER TON-MILE, CENTS	27.77		24.71		19.32		19.40		16.87		17.61		12.82		11.41	
AVERAGE LOAD, TONS	9.26		10.01		9.66		9.65		11.69		10.91		11.18		11.99	
TOTAL TONS, THOUS	1,035.30		1,125.63		5,486.96		5,425.93		9,872.65		9,637.77		9,104.79		9,451.62	
TOTAL MILES, THOUS	30,478.00		31,332.79		126,243.99		126,615.71		245,388.91		245,818.72		323,105.98		334,114.98	

5 NORTHWESTERN 9				6 MIDDLEWESTERN 23				7 SOUTHWESTERN 20				8 ROCKY MOUNTAIN 10				9 PACIFIC 31				TOTAL ALL REGIONS 219			
1985		1984		1985		1984		1985		1984		1985		1984		1985		1984		1985		1984	
$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%
127.51	100.0	130.56	100.0	316.88	100.0	293.14	100.0	243.80	100.0	224.85	100.0	127.55	100.0	124.46	100.0	301.15	100.0	293.47	100.0	2,553.39	100.0	2,491.75	100.0
4.68	3.7	4.42	3.4	13.11	4.1	10.40	3.5	10.02	4.1	9.56	4.3	6.28	4.9	5.99	4.8	7.10	2.4	6.33	2.2	100.29	3.9	90.07	3.6
29.39	23.1	29.62	22.7	111.72	35.3	102.28	34.9	69.20	28.4	64.42	28.7	46.21	36.2	44.32	35.6	79.16	26.3	79.10	27.0	700.77	27.4	688.76	27.6
129.35	101.4	128.32	98.3	303.27	95.7	280.54	95.7	233.86	95.9	211.05	93.9	122.16	95.8	118.76	95.4	292.32	97.1	284.90	97.1	2,493.05	97.6	2,416.96	97.0
1.84-	1.4-	2.24	1.7	13.62	4.3	12.60	4.3	9.94	4.1	13.80	6.1	5.39	4.2	5.70	4.6	8.83	2.9	8.57	2.9	60.34	2.4	74.79	3.0
1.51	1.2	1.55	1.2	3.39	1.1	3.25	1.1	3.92	1.6	3.56	1.6	2.37	1.9	2.39	1.9	2.12	0.7	1.79	0.6	28.92	1.1	26.41	1.1
1.79-	1.4-	1.35	1.0	11.75	3.7	11.13	3.8	2.30	0.9	8.71	3.9	4.33	3.4	4.74	3.8	7.73	2.6	7.92	2.7	45.50	1.8	59.95	2.4
0.02	0.0	0.40	0.3	3.07	1.0	2.55	0.9	1.06	0.4	2.94	1.3	1.44	1.1	1.07	0.9	1.44	0.5	1.43	0.5	10.09	0.4	17.35	0.7
0.05	0.0	0.08	0.1	0.97	0.3	0.35-	0.1-	0.42	0.2	0.01-	0.0	0.26	0.2	0.12	0.1	0.02-	0.0	0.36	0.0	4.83	0.2	1.70	0.1
0.00	0.0	0.00	0.0	0.36	0.1	0.33	0.1	0.00	0.0	0.00	0.0	0.84	0.7	0.18	0.1	1.25	0.4	0.65	0.2	1.22	0.0	0.12	0.0
1.87-	1.5-	0.87	0.7	8.07	2.5	9.26	3.2	0.82	0.3	5.78	2.6	1.79	1.4	3.37	2.7	7.55	2.5	5.79	2.0	31.79	1.2	40.78	1.6
0.00	0.0	0.00	0.0	0.04	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.07	0.1	0.00	0.0	0.01	0.0	0.01	0.0	2.10	0.1	1.00	0.0
1.87-	1.5-	0.87	0.7	8.03	2.5	9.26	3.2	0.82	0.3	5.78	2.6	1.72	1.4	3.37	2.7	7.54	2.5	5.78	2.0	33.89	1.3	39.78	1.6
3.26	7.6	6.10	12.9	10.86	8.8	13.81	12.2	6.56	6.5	9.86	10.0	6.89	10.3	7.86	12.4	12.34	12.3	10.92	11.8	106.22	10.5	121.85	12.6
0.44	1.0	0.19	0.4	2.49	2.0	2.41	2.1	11.74	11.6	10.68	11.1	2.56	4.0	1.86	2.9	9.82	9.8	7.73	8.4	47.99	4.7	37.28	3.8
11.51	26.9	12.14	25.7	27.61	22.2	24.72	21.9	28.20	27.8	29.39	30.5	13.16	20.3	12.98	20.5	31.26	31.3	28.20	30.5	243.96	24.0	235.68	24.3
1.59	3.7	1.38	2.9	5.52	4.4	5.02	4.4	3.97	3.9	3.50	3.6	2.81	4.3	2.12	3.3	4.38	4.4	3.85	3.9	38.40	3.8	32.67	3.4
0.82	1.9	0.83	1.8	1.34	1.1	1.15	1.0	2.20	2.2	2.15	2.2	0.91	1.4	1.06	1.7	1.22	1.2	1.52	1.6	15.67	1.5	15.94	1.6
0.02	0.1	0.13	0.3	1.30	1.0	1.03	0.9	0.51	0.5	0.08	0.1	0.05	0.1	0.09	0.1	0.04	0.0	0.20	0.2	2.70	0.3	2.55	0.3
17.63	41.2	20.76	43.9	49.03	39.5	48.14	42.6	53.18	52.5	55.46	57.6	26.17	40.4	25.96	40.9	59.07	59.1	52.21	56.5	454.94	44.8	445.95	45.9
53.52	125.1	53.00	112.0	117.78	94.9	101.48	89.8	84.79	83.6	75.82	78.7	52.90	81.7	49.40	77.9	85.66	85.7	78.76	85.2	967.97	95.3	908.52	93.6
32.85	76.8	30.77	65.0	58.00	46.7	50.36	44.6	39.20	38.7	37.04	38.5	27.09	41.8	23.93	37.7	58.03	58.1	53.52	57.9	536.50	52.8	503.44	51.9
20.67	48.3	22.23	47.0	59.78	48.2	51.11	45.3	45.60	45.0	38.78	40.3	25.81	39.9	25.47	40.2	27.63	27.6	25.25	27.3	431.47	42.5	405.09	41.7
20.88	48.8	22.66	47.9	60.31	48.6	51.66	45.7	46.55	45.9	39.78	41.3	32.42	50.1	30.16	47.6	29.26	29.3	26.98	29.2	466.02	45.9	436.34	45.0
0.13	0.3	0.13	0.3	1.13	0.9	0.54	0.5	0.18	0.2	0.26	0.3	0.90	1.4	1.22	1.9	1.40	1.4	1.33	1.4	14.24	1.4	10.27	1.1
4.14	9.7	3.77	8.0	13.63	11.0	12.62	11.2	1.48	1.5	0.78	0.8	5.23	8.1	6.08	9.6	10.24	10.2	11.92	12.9	80.91	8.0	78.04	8.0
42.79	100.0	47.32	100.0	124.10	100.0	112.95	100.0	101.38	100.0	96.28	100.0	64.73	100.0	63.42	100.0	99.96	100.0	92.44	100.0	1,016.11	100.0	970.60	100.0
0.58	1.4	0.63	1.3	3.50	2.8	1.26	1.1	9.35	9.2	6.64	6.9	0.32	0.5	0.59	0.9	6.62	6.6	6.39	6.9	53.52	5.3	48.33	5.0
1.39	3.3	1.04	2.2	2.28	1.8	0.34	0.3	2.24	2.2	1.75	1.8	1.89	2.9	1.25	2.0	2.38	2.4	1.19	1.3	25.42	2.5	17.47	1.8
7.16	16.7	6.17	13.0	14.08	11.3	12.88	11.4	8.43	8.3	7.17	7.4	7.53	11.6	7.01	11.0	14.31	14.3	13.53	14.6	113.51	11.2	107.50	11.1
1.34	3.1	1.38	2.9	4.50	3.6	3.69	3.3	1.59	1.6	1.43	1.5	1.01	1.6	1.11	1.7	4.33	4.3	2.15	2.3	27.33	2.7	23.00	2.4
0.92	2.1	1.16	2.4	4.10	3.3	2.54	2.2	1.22	1.2	3.75	3.9	0.68	1.1	0.90	1.4	1.36	1.4	1.48	1.6	12.74	1.3	18.42	1.9
1.84	4.3	1.98	4.2	8.76	7.1	7.90	7.0	13.12	12.9	8.54	8.9	3.58	5.5	2.83	4.5	4.81	4.8	3.87	4.2	63.94	6.3	56.26	5.8
4.15	9.7	4.16	8.8	6.31	5.1	6.44	5.7	4.99	4.9	5.07	5.3	2.30	3.5	1.77	2.8	5.47	5.5	5.63	6.1	55.43	5.5	53.88	5.6
17.39	40.7	16.51	34.9	43.52	35.1	35.05	31.0	40.95	40.4	34.35	35.7	17.31	26.7	15.46	24.4	39.28	39.3	34.24	37.0	351.90	34.6	324.87	33.5
1.33	3.1	0.93	2.0	14.94	12.0	15.70	13.9	0.26	0.3	0.38	0.4	0.50	0.8	1.92	3.0	1.66	1.7	1.44	1.6	35.17	3.5	34.82	3.6
8.43	19.7	9.38	19.8	18.03	14.5	16.44	14.6	24.81	24.5	21.22	22.0	14.08	21.8	14.39	22.7	10.25	10.3	9.09	9.8	188.32	18.6	154.06	15.9
9.76	22.8	10.31	21.8	32.98	26.6	32.14	28.5	25.07	24.7	21.60	22.4	14.58	22.5	16.31	25.7	11.92	11.9	10.53	11.4	203.49	20.0	188.88	19.5
10.27	24.0	11.36	24.0	26.80	21.6	24.34	21.6	37.93	37.4	29.77	30.9	17.66	27.3	17.22	27.2	15.07	15.1	12.96	14.0	232.26	22.9	210.32	21.7
0.13	0.3	0.21	0.5	2.21	1.8	1.67	1.5	0.26	0.3	0.50	0.5	0.66	1.0	0.89	1.4	1.76	1.8	2.05	2.2	10.26	1.0	9.83	1.0
0.00	0.0	0.00	0.0	3.50	2.8	2.59	2.3	1.96	1.9	0.89	0.9	2.11	3.3	1.87	2.9	1.39	1.4	1.27	1.4	25.79	2.5	20.56	2.1
27.29	63.8	27.03	57.1	82.21	66.2	71.45	63.3	68.24	67.3	57.35	59.6	34.66	53.5	34.53	54.4	54.35	54.4	48.10	52.0	591.44	58.2	544.15	56.1
15.49	36.2	20.29	42.9	41.89	33.8	41.51	36.7	33.14	32.7	38.93	40.4	30.07	46.5	28.90	45.6	45.62	45.6	44.34	48.0	424.67	41.8	426.45	43.9
25.26	59.0	30.59	64.6	74.87	60.3	73.65	65.2	58.21	57.4	60.54	62.9	44.85	69.0	45.20	71.3	57.53	57.6	54.87	59.4	628.16	61.8	615.33	63.4
42.79	100.0	47.32	100.0	124.10	100.0	112.95	100.0	101.38	100.0	96.28	100.0	64.73	100.0	63.42	100.0	99.96	100.0	92.44	100.0	1,016.11	100.0	970.60	100.0
RATIOS		RATIOS		RATIOS		RATIOS		RATIOS		RATIOS		RATIOS		RATIOS		RATIOS		RATIOS		RATIOS		RATIOS	
6.23		6.44		7.56		7.06		7.36		5.78		4.24		4.31		6.60		6.62		6.01		5.84	
5.05		4.27		4.23		3.98		4.19		3.71		2.86		2.75		5.23		5.35		4.06		4.05	
6.17		5.87		5.30		5.74		5.35		5.80		4.94		4.89		10.90		11.62		5.92		6.15	
2.38		2.46		2.69		2.89		2.88		2.97		2.41		2.52		3.52		3.73		2.64		2.74	
1.41-		1.03		3.71		3.80		0.95		3.87		3.40		3.81		2.57		2.70		1.78		2.41	
7.10-		4.41		15.69		15.11		3.96		14.38		9.71		10.48		13.43		14.43		7.24		9.74	
1.47-		0.67		2.55		3.16		0.34		2.57		1.41		2.71		2.51		1.97		1.25		1.64	
12.06-		4.28		19.26		22.31		2.47		14.84		5.98		11.68		16.55		13.05		7.49		9.56	
8.80-		8.45		20.86		19.62		17.20		23.04		15.54		15.86		18.62		19.83		11.29		14.21	
102.63		99.47		98.77		96.81		97.53		95.45		97.63		97.34		97.77		97.69		98.77		98.06	
101.44		98.29		95.70		95.70		95.92		93.86		95.77		95.42		97.07		97.08		97.64		97.00	
14.17		14.51		13.78		12.75		12.19		11.24		12.75		12.45		9.71		9.47		11.66		11.38	
0.21-		0.10		0.35		0.40		0.04		0.29		0.18		0.34		0.24		0.19		0.15		0.19	
2.87		5.37		21.79		16.98		11.26		15.33		9.17		9.66		13.38		12.82		135.70		132.68	
0.24		4.25		5.50		13.10		12.23		21.11		8.87		10.50		19.79		17.96		103.05		121.07	
1.01		1.26		1.13		1.37		1.30		1.61		1.51		1.68		1.50		1.52		1.29		1.37	
0.70		12.47		6.89		17.62		19.82		38.05		27.70		33.72		25.28		23.48		15.65		18.92	
32.94		33.94		31.69		30.78		42.22		47.71		37.66		38.07		37.85		35.07		34.87		34.52	
0.66		0.58		0.64		0.59		1.14		0.76		0.59		0.60		0.33		0.29		0.55		0.49	
0.53		0.25		0.30		0.08		0.38		0.00		0.17		0.13		0.21		0.20		0.15		0.08	
0.67		0.56		0.66		0.59		1.15		0.77		0.61		0.62		0.34		0.30		0.57		0.51	
155.48		270.70		248.64		240.15		85.84		179.51		256.33		340.77		277.91		331.14		212.24		235.81	
27.91		47.25		81.31		77.96		29.69		51.51		51.92		56.08		88.79		98.92		58.43		63.08	
14.69		13.62		12.64		13.35		10.34		11.98		13.41		13.89		14.08		13.81		12.45		12.56	
1.33		1.10		1.43		1.23		1.38		1.00		0.86		0.88		0.81		0.57		1.02		0.95	
1.34		1.68		1.68		1.87		2.64		3.30		1.40		1.57		1.87		1.92		1.76		1.89	
2.54		2.23		1.50		1.32		0.76		1.12		1.76		2.11		1.47		1.83		1.57		1.60	
1.35		1.12		1.44		1.24		1.40		1.02		1.08		1.04		0.64		0.61		1.10		1.02	
12.06-		4.28		19.26		22.31		2.47		14.84		5.96		12.72		16.55		13.05		7.50		9.56	
6.11		5.76		5.25		5.67		5.24		5.65		3.93		4.13		10.29		10.88		5.48		5.71	
29.13		29.65		21.59		22.05		19.54		18.24		18.47		19.45		26.48		26.59		25.57		25.35	
49.27		49.41		59.17		58.39		48.95		47.91		54.67		55.39		54.18		55.09		53.01		52.89	
5.30		5.36		2.87		3.24		1.89		2.13		1.95		2.00		4.57		4.43		3.11		3.21	
44.13		43.63		61.52		58.78		65.07		63.01		57.89		57.84		42.37		45.87		52.25		52.51	
33.62		30.57		11.23		10.80		9.86		11.01		11.36		13.31		17.58		18.68		14.59		14.63	
7.46		8.24		13.53		14.74		14.02		12.50		16.04		13.40		12.76		12.12		11.92		11.76	
1,098.41		1,208.90		3,908.96		3,398.65		5,704.23		5,152.47		1,370.73		1,341.13		5,097.75		5,341.92		42,677.78		42,082.01	
43,693.22		45,100.42		151,855.29		132,309.04		148,978.46		138,487.20		54,477.35		53,795.08		97,939.02		95,009.12		1,221,940.22		1,202,563.06	

the Southern's 14% rise. Elsewhere, the increases ranged from 4 to 9 percent.

Working capital, on the other hand, declined in six of the nine regions, and 14.9% for Group B overall. The largest decline, one which almost wiped out working capital, was 94% in the Northwestern region. Also, the Midwestern region saw working capital drop by more than half, and the Southwestern, by 42%. In the Rocky Mountain, Central and New England regions, working capital also dropped, but by far less severe amounts. On the positive side, working capital increases were registered in the Southern, Pacific and Middle Atlantic regions.

In the current ratio measurement, Group B's overall 1.29 in 1985 conceals more than it reveals. Regional current ratios range from New England's 2.29 (best in the industry) to the Northwestern's 1.01, near worst in the business. The Northwestern's current ratio dropped appreciably from 1.26 in 1984. High in this measure, following New England, are the Rocky Mountain (1.51) and Pacific (1.50) regions. Low on the scale, along with the Northwest, are the Middle Atlantic's 1.07 (up from 1.01 in 1984), and the Midwest's 1.13 (down from 1.37).

Working capital coverage of daily cash operating expenses also exhibited a substantial regional range. In New England, working capital could cover 45 days cash operating expenses. In the Northwest, it could barely cover a single day. As with the current ratio, regions ranking high on this coverage measure include the Rocky Mountain and Pacific regions. Those ranking low include the Middle Atlantic and Midwestern.

The liquidity position of the medium general freight carriers, in sum, is all over the board, generally more negative than positive. However, where positive, the results look very strong indeed.

Investments and Leverage

The medium size general freight carriers made moderate, replacement type investments in carrier operating property in 1985, increasing property at cost by 6.5%. Their fleet, 55% depreciated in 1984, remained so in 1985. It is substantially less depreciated than that of their smaller Group A peers (63%), yet more depreciated than their larger Group C counterparts (42%). In five of Group B's regions, more was added to property at cost than to depreciation reserve, thereby lowering the "age" of the fleet. This occurred in the Midwest and Southwest, which had fleets less than half depreciated (new) to begin with. It also occurred in the Central, Southern and Pacific regions. The Pacific region's fleet, two thirds depreciated in 1984, was most in need of replacement among regions who added fleet.

The "oldest" fleet in Group B was that of the New England carriers, 72% depreciated in 1984. In the interim, carrier property at cost was reduced 1.3% and depreciation reserve increased 1.7%, leaving New England's fleet 74% depreciated by year end 1985. This is toward the range of antique in the trucking business.

The Group B carriers also make the heaviest use of owner-operators among the general freight groups. They expend 27% of revenues on purchased transportation, compared to 18% for Group A and 12% in Group C. The heavy use of owner-operators among these medium size firms is across the regional breakouts. Six regions spend between 20 and 30 percent of revenues on purchased transportation, two over 30 percent. Only one, New England, is less at 16% of revenues.

Thus, there is substantial use of non-owned equipment among the medium size general freight carriers, but heavy investment demands nonetheless.

Group B carriers showed fairly high leverage among general freight carriers in 1984, with a funded debt to equity ratio of 0.49 (compared to 0.36 for Group A and 0.27 for Group C). During the year they added 10.4% to funded debt, and became more leveraged by year end -- a 0.55 debt to equity ratio. The debt increases were actually concentrated in a number of the regions, mainly the Southwest, Central, Pacific and Middle Atlantic, where debt increases ranged from 16% to over 27%. In three regions, by contrast, debt levels declined -- 23% in New England, 10% in the Northwest and 4% in the Southern.

With a moderate improvement in cash throw, but a heavier increase in debt levels, cash throw coverage of debt declined between 1984 and 1985 for these carriers. There is a great variance in cash throw coverage of debt among the regions, however. In the New England region, cash throw could bail them totally out of debt in about six months. In the Northwestern and Southwestern regions, on the other hand, it would require more like six years of applied cash throw to be debt free. The Midwest and Pacific regions, like New England, have fairly sound cash throw coverage of debt. In other regions, cash throw coverage is much slimmer.

Net income, one of the major components of cash throw, is influenced by interest expenses, among other operating cost outlays. In 1985, interest expenses of Group B carriers increased 9.5%, just under the level of rise in debt. Interest expense outlays varied from a 76% increase in New England (which reduced debt 23%), to a 2.5% reduction in the Northwest (where debt fell 9.6%). Most regions had moderate changes in interest expense. The Southern and Pacific regions (in addition to New England) had slightly larger increases.

Similar to their smaller Group A counterparts, the interest expenses of medium size general freight carriers represented the equivalent of 1.1% of revenues in both 1984 and 1985. The lowest interest burden in the industry, though, was Group B's New England region (0.4% of revenues). The interest burden was also low in the Pacific region (0.7% of revenues). On the high side, on the other hand, were the Rocky Mountain region (1.9%), Southwest (1.6%), and Middle Atlantic (1.5%).

Interest was the equivalent of about half Group B's operating income in 1985, far better than for Group A, where interest took almost all their operating income. The drain on this basis was most severe in the Northwest, where interest was on top of an operating loss. It was also bad in the Middle Atlantic (81% of operating profits) and Central (79%) regions. Interest was a far lesser drain on operating profits in the Pacific (24%), Midwestern (25%), and New England (31%) regions.

Thus, Group B's medium

size general freight carriers found themselves a bit worse off in 1985 than in 1984, not dissimilar to other carrier groups. All in all, though, the slippage they experienced was less than could have been, and less than that of numerous peer groups.

Performance in 1986

Based on quarterly data for nine months of 1986, the medium size general freight carriers appear to be achieving belabored improvements in the better trucking environment. Tonnage levels are up about 3.7%, and mileage, a slightly steeper 4.7%. However, discounting is apparently still quite prevalent and heavy among these firms, as revenue growth has been held to 2.6%. They have managed a 34% increase in operating profits, and a 59% rise in net income, and correspondingly have improved their profit margins. However, their operating ratio, down nearly three quarters of a point, remains fairly high and unfavorable at 96.75. Similarly, their net profit margin, up to 2.12%, still leaves substantial room for improvement.

The medium size general freight carriers, thus, continue to maintain an edge over their smaller counterparts in Group A, but have yet to make any inroads against their larger Group C peers. If anything, both Groups A and B continue to lose ground.

CARRIER GROUP C

General Freight Carriers With Revenues Greater Than $25 Million Annually

Comprising Carrier Group C are the largest general freight carriers in the country, those with annual revenues above $25 million annually. Carrier Group C is divided into two subgroups, carriers with revenues between $25 and $100 million (Group C-1), and those with revenues over $100 million (Group C-2).

Because of their revenue size, carriers in Group C are generally multi-regional if not national in scope of operation. As such, it makes little sense to subdivide them by region of domicile. They may indeed have a heavy concentration of business in their headquarters region, but nevertheless have substantial presence in other sections of the country. As such, the subdivisions of Group C, in addition to the major break on revenue size, are by length of haul. For Group C-1, there are two breaks by length of haul: 250 miles and under (short haul); and greater than 250 miles (long haul). For group C-2, four length of haul delineations are used: 250 miles and under; 250-500 miles; 500-750 miles; and greater than 750 miles.

Carriers in Group C, although performing generally better than other carrier groups, were not immune from the pressures facing all trucking companies in 1985, mainly on earnings. On a relative basis, though, these larger carriers continue to out-distance their smaller rivals. They outgrow them in a booming environment, and experience less downturn in a shrinking or stagnant economy. In the past, a disproportionate representation of the industry's stellar performers have come from Carrier Group C, and this year is no exception as three of the six individual length of haul carrier groups are in the industry's upper quartile of performers - both groups with length of haul less than 250 miles (C-1 and C-2), plus the 500-750 length of haul carriers with revenues over $100 million.

C-1: General Freight Carriers with Revenues between $25 Million and $100 Million Annually

Operating Performance

General freight carriers in Group C-1 showed strong business levels in an otherwise negative trucking environment. The short haul group increased tonnage 7.4% and mileage 6.7% to enhance revenues 7.8%. Their longer haul counterparts didn't do quite as well, but grew also, with tonnage up 3.4%, mileage 10.6% and revenues 6.5%.

Like other carrier groups, though, expense increases were revenue consuming in 1985. The short haul carriers, with expenses rising 9.3%, saw a 14% decline in operating profits and a 15.2% drop in net earnings. This led, obviously, to a deterioration in profit measurement ratios: their operating ratio rose 1.3 points; profit margin fell 0.7 points; return on equity dropped 3.6 points; and return on transportation investment, 3.8 points.

The short haul group, however, one of the most profitable in the trucking business in 1984, retained a superior profitability stance in 1985. Its operating ratio in 1985, 94.84, was fourth best in the industry. Similarly, its profit margin (3.16%) was second best overall among the 32 carrier groups, and return on transportation investment (18.90%), third best. Return on equity, at 13.16%, also ranked the short haul carrier group high.

The longer haul carriers in Group C-1 fared far less favorably in profit performance in 1985. Expense increases among these carriers led to a 31% decline in operating profits and a 52% drop in net profits. Less profitable than their short haul counterparts to begin with, changes in profitability in 1985 left them in a rather marginal posture. Their operating ratio climbed to 97.50, profit margin fell to 0.82%, return on equity plummeted to 6.24%, and return on transportation investment fell to 11.13%.

Liquidity

The liquidity position of the Group C-1 general freight carriers in 1985 is a bit weak by industry standards. Both subgroups by length of haul have similar current ratios in 1985 in the low 1.2's, and similar coverage of daily cash operating expenses from working capital - 11 and 12 days. However, the subgroups were on different paths in arriving at those results.

The short haul carriers improved cash throw modestly between 1984 and 1985 by 8.4%, somewhat reflective of a not to bad income statement buttressed by depreciation charges. They did, however, experience a rather steep decline in working capital, which dropped 38%. This lead to a reduction in their current ratio to 1.21 from 1.41, and slippage in their coverage of daily operating expenses to 12 days from 21 days in 1984.

The longer haul carriers in C-1, on the other hand, saw working capital more than double from 1984 to 1985. This led to an improvement in their current ratio to 1.22 from 1.11, and enhanced coverage of daily cash operating expenses - to 11 days in 1985 from 5 and a half in 1984. However, their steeper drop in earnings resulted in cash throw declining. For both groups, the decline in earnings played a major role in weak liquidity, and liquidity could easily return to far sounder conditions if the pressure on earnings were to abate in the near term.

Investments/Leverage

As in the liquidity profile, the two length of haul subgroups of C-1 showed very opposite results in investments and leverage in 1985, and have very different postures relative to the various carrier groups in this Financial Analysis. The short haul carriers are among the least leveraged groups in the industry; their longer haul counterparts are among the more heavily leveraged.

The short haul carriers use mainly owned equipment in conducting their operations, expending only 9% of revenues on purchased transportation. In 1985, they added to carrier operating property at cost by 15%, but, in the main, for replacement of equipment. Charges to de-

preciation reserve increased over 17%. The "age" of their fleet, half depreciated in 1984, was slightly more depreciated by year end 1985.

Although adding significant dollars to operating property at cost, it was accomplished with internally generated funds by the short haul carriers, and not increased borrowing. The group managed, in fact, to reduce funded debt between 1984 and 1985 by 12.3%, and favorably reduced their debt to equity ratio to 0.26 from 0.33. With low funded debt, and improved cash throw, their cash throw coverage of funded debt increased from 100 in 1984 to 125 in 1985, indicating that all funded debt could be paid off in well under a year were cash throw dedicated to that end. This group has one of the industry's best debt coverage structures, at least in 1985.

While reducing debt in 1985, the short haul carriers showed increased interest expenses, up 10%. Interest is, however, a modest burden on the group, representing only 0.9% of revenues (in both 1984 and 1985), and consuming but 18 percent of operating income.

Interest is a far heavier burden for the longer haul general freight carriers in Group C-1. Here, it represents 1.4% of revenues and close to 60% of operating profits. The longer haul carriers had an increase in interest expense of 20% in 1985 while increasing their level of funded debt 8.5%, although adding little to carrier operating property. Apparently, funded debt was used to enhance working capital and to compensate for cash throw shortfalls.

The longer haul general freight carriers are substantially more leveraged as indicated by their 0.80 debt to equity ratio (compared to 0.26 for short haul carriers), and further, by their cash throw coverage of debt - more than a two year payoff (compared to less than a year for short haul firms). Even though the longer haul carriers added very little to operating property at cost in 1985 (up only 4.2%), their equipment appears to be newer than for short haul carriers (less depreciated), which could result in a lower, more reasonable, level of debt in the future. Also, their more intense use of owner-operators (29% of revenues - three times the relative expenditures of their short haul peers) relieves much of the pressure associated with equipment ownership.

Performance in 1986

Quarterly results through nine months for general freight carriers in Group C-1 indicate some generally sound improvements being achieved by the group. Business is up modestly (tons up 3%; miles just under 2%), but revenues are up disproportinately more, indicating some improved yields, and perhaps less present discounting pressures. This contrasts with smaller general freight carriers in Groups A and B, where tonnage increases exceed revenue growth, or where tonnage and revenue growth remain subpar.

Expense changes have remained modest such that operating profits of Group C-1 general freight carriers have improved 25% and net profits, almost 35%. Their nine month operating ratio is hovering in the low 94's, and profit margin, at over 3.5%, sound earnings in the last decade for truckers. These results could go far in solidifying an already fairly strong financial posture.

C-2: General Freight Carriers With Revenues Greater Than $100 Million Annually

Operating Performance

The largest general freight carriers, those in Group C-2, experienced a rougher business environment in 1985 than their counterparts in C-1. Tonnage declined for each of the four subgroups by length of haul, and appreciably (by 12.6%) for the 250-500 mile group. Mileage also was weak, declining for three of the groups. Only the short haul segment (under 250 miles) achieved a mileage improvement in 1985. Despite the slack business, however, each of the groups managed to improve revenues modestly in 1985 (range is from 1% improvement for 750 mile group to 4.6% gain for 500-750 mile group).

While most carrier groups experienced sizable declines in profitability in 1985, the largest general freight carriers proved the exception. Two of the subgroups by length of haul did see profit declines, but they were nowhere near as severe as experienced elsewhere. On the other hand, the other two length of haul groups managed to improve profitability in 1985, no small feat given business conditions in the segment (and industry).

The short haul carriers (length of haul under 250 miles) are the industry's most profitable in 1985 by a composite of profit measures. During the year they improved operating profits 4.2% by holding expenses fractionally under revenue growth. Net profits grew a much more significant 44% for the short haul carriers. Their operating ratio, 94.50 in 1984, dropped to 94.41, and their profit margin of 2.74% in 1984 jumped to 3.85% in 1985, best in the industry. Return on equity increased 3 points to 13.97 but return on transportation investment dropped 6 and a half points to 16.31 (reflecting the weaker improvement in operating profits compared to growth in investments)

The other segment increasing profitability within Group C-2 was the 500-750 mile carriers. Their operating profits grew 13.7%, dropping their operating ratio to 94.64 from 95.07, and boosting the return on transportation investment to 17.21% from 15.91%. Net profits also increased in this segment by 7.5%, modestly improving their profit margin (to 2.34%) and return on equity (to 10.54%).

The 250-500 mile segment is the weakest of the groups in C-2 in terms of profitability, and results in 1985 were not helpful. They had a minor 1.3% decline in operating profits, but an 11.9% drop in net profits. Their operating ratio escalated to 97.63, profit margin dropped to 0.95%, and return on equity fell to 4.83%. Only in one measure, return on transportation investment, did they manage a minor improvement to 8.12% from 8.00% in 1984.

The largest **decline** in profitability, however, was for the long haul carriers in C-2 (over 750 miles). For them, operating profits dropped 14.6%, and net profits, by over a third. From one of the very healthiest postures in 1984, these changes

Carrier Group C

LENGTH OF HAUL	CARRIERS WITH REVENUES BETWEEN $25,000,000 AND $100,000,000										CARRIERS WITH REVENUES OVER $			
	250 MILES AND UNDER				251 MILES AND OVER				SUB-TOTAL, GROUP C-1		250 MILES AND UNDER			
NUMBER OF CARRIERS	27				48				75		4			
YEAR	1985		1984		1985		1984		1985		1984		1985		1984	
INCOME STATEMENT	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%
INCOME & EXPENSE DATA																
GROSS REVENUES	1,300.46	100.0	1,206.07	100.0	2,631.64	100.0	2,377.51	100.0	3,931.99	100.0	3,583.58	100.0	657.56	100.0	640.89	100.0
DEPRECIATION	54.10	4.2	43.03	3.6	89.50	3.5	78.95	3.3	143.60	3.7	121.98	3.4	18.60	2.8	14.36	2.2
PURCHASED TRANSPORTATION	116.42	9.1	100.01	8.3	734.23	29.0	712.78	30.0	850.65	22.3	812.78	22.7	160.44	24.4	165.27	25.8
TOTAL OPERATING EXPENSES	1,233.33	94.8	1,128.03	93.5	2,468.14	97.5	2,266.68	96.1	3,701.47	96.6	3,413.69	95.3	620.76	94.4	605.61	94.5
NET CARRIER OPERATING INCOME	67.13	5.2	78.04	6.5	63.40	2.5	91.85	3.9	130.52	3.4	169.89	4.7	36.78	5.6	35.28	5.5
INTEREST EXPENSE	12.30	0.9	11.17	0.9	36.63	1.4	30.61	1.3	48.93	1.3	41.78	1.2	6.17	0.9	6.03	0.9
NET INCOME BEFORE TAXES	58.88	4.5	73.86	6.1	39.35	1.6	65.51	2.8	98.22	2.6	139.36	3.9	36.50	5.6	32.55	5.1
INCOME TAXES-CURRENT	13.58	1.0	25.16	2.1	15.65	0.6	17.75	0.7	29.23	0.8	42.90	1.2	10.77	1.6	10.76	1.7
DEFERRED INCOME TAXES	5.07	0.4	3.35	0.3	2.87	0.1	3.03	0.1	7.94	0.2	6.38	0.2	2.01	0.3	3.22	0.5
OTHER ADJUSTMENTS TO INCOME	0.93	0.1	1.23	0.1	0.00	0.0	0.18	0.0	0.93	0.0	1.41	0.0	1.80	0.2	0.97	0.2
INCOME BEFORE EXTRA ITEMS	41.15	3.2	46.58	3.9	20.83	0.8	44.91	1.9	61.98	1.6	91.49	2.6	25.32	3.9	17.59	2.7
EXTRAORDINARY ITEMS	0.07	0.0	2.03	0.2	0.71	0.0	0.27	0.0	0.78	0.0	1.76	0.0	0.00	0.0	0.00	0.0
NET INCOME AFTER TAXES	41.22	3.2	48.61	4.0	21.54	0.9	44.64	1.9	62.76	1.6	93.25	2.6	25.32	3.9	17.59	2.7
BALANCE SHEET																
ASSETS																
CASH	49.19	8.3	56.77	10.4	61.92	6.3	44.21	4.7	111.11	7.0	100.97	6.8	15.85	4.7	23.77	8.1
RECEIVABLES FROM AFFILIATES	12.69	2.1	16.41	3.0	36.24	3.7	41.68	4.4	48.93	3.1	58.09	3.9	73.46	21.9	18.47	6.3
NOTES & ACCOUNTS RECEIVABLE	124.48	20.9	113.69	20.8	245.62	24.9	214.55	22.8	370.09	23.4	328.23	22.1	38.28	10.8	52.66	17.9
PREPAID EXPENSES	20.81	3.5	14.51	2.7	43.50	4.4	35.37	3.8	64.31	4.1	49.89	3.4	10.41	3.1	5.78	2.0
MATERIALS & SUPPLIES	13.11	2.2	13.21	2.4	14.84	1.5	14.14	1.5	27.95	1.8	27.35	1.8	5.28	1.3	3.89	1.3
OTHER CURRENT ASSETS	1.37	0.2	1.35	0.2	4.17	0.4	3.17	0.3	5.54	0.4	4.52	0.3	1.12	0.3	2.88	1.0
TOTAL CURRENT ASSETS	221.65	37.3	215.93	39.5	406.28	41.2	353.12	37.6	827.93	39.7	569.05	38.3	141.40	42.2	107.44	36.5
CARRIER OPERATING PROPERTY	650.08	109.3	564.95	103.3	904.38	91.7	868.24	92.4	1,554.44	98.3	1,433.19	96.4	315.74	94.2	222.34	75.5
RESERVE FOR DEPRECIATION	334.10	56.2	284.58	52.0	407.59	41.3	389.90	41.5	741.70	46.9	674.48	45.4	150.01	44.7	102.87	34.9
CARRIER OPERATING PROPERTY NET	315.96	53.1	280.37	51.3	496.79	50.4	478.34	50.9	812.74	51.4	758.72	51.0	165.73	49.4	119.48	40.6
TOTAL TANGIBLE PROPERTY	322.87	54.3	285.62	52.2	534.23	54.2	497.78	53.0	857.10	54.2	783.40	52.7	165.80	49.5	119.56	40.6
INTANGIBLES	13.18	2.2	9.85	1.8	12.23	1.2	10.85	1.2	25.41	1.6	20.70	1.4	12.37	3.7	10.87	3.7
OTHER ASSETS	36.78	6.2	35.48	6.5	33.80	3.4	78.26	8.3	70.58	4.5	113.74	7.6	15.64	4.7	56.62	19.2
TOTAL ASSETS	594.47	100.0	546.89	100.0	986.55	100.0	940.01	100.0	1,581.02	100.0	1,486.90	100.0	335.22	100.0	294.50	100.0
LIABILITIES & EQUITY																
PAYABLES TO AFFILIATES	25.69	4.3	22.25	4.1	13.81	1.4	22.02	2.3	39.50	2.5	44.26	3.0	23.85	7.1	10.54	3.6
NOTES PAYABLE	12.64	2.1	3.45	0.6	10.54	1.1	8.06	0.9	23.18	1.5	11.51	0.8	2.05	0.6	2.59	0.9
ACCOUNTS PAYABLE	57.64	9.7	51.30	9.4	109.04	11.1	98.23	10.4	166.68	10.5	149.53	10.1	17.18	5.1	13.69	4.7
MISC PAYABLES & ACCRUALS	17.82	3.0	14.34	2.6	22.39	2.3	26.63	2.8	40.00	2.5	40.97	2.8	4.52	1.3	7.71	2.6
TAXES PAYABLE	0.43	0.1	3.00	0.5	16.71	1.9	15.70	1.7	18.27	1.2	18.71	1.3	9.01	2.7	12.93	4.4
FUNDED DEBT DUE WITHIN ONE YEAR	16.39	2.8	15.37	2.8	68.13	6.9	64.65	6.9	84.52	5.3	80.02	5.4	4.94	1.5	4.08	1.4
OTHER CURRENT LIABILITIES	52.94	8.9	43.12	7.9	90.92	9.2	83.82	8.9	143.86	9.1	126.94	8.5	20.05	6.0	20.19	6.9
TOTAL CURRENT LIABILITIES	182.48	30.7	152.84	27.9	333.63	33.8	319.10	33.9	516.01	32.6	471.94	31.7	81.61	24.3	71.73	24.4
ADVANCES PAYABLE	3.85	0.6	15.28	2.8	67.67	6.9	69.23	7.4	71.52	4.5	64.51	4.3	27.43	8.2	19.10	6.5
FUNDED DEBT DUE AFTER ONE YEAR	63.56	10.7	75.76	13.9	200.32	20.3	162.66	19.4	283.88	18.7	258.42	17.4	27.17	8.1	32.52	11.0
TOTAL LONG TERM DEBT	67.40	11.3	91.04	16.8	268.00	27.2	251.89	26.8	335.40	21.2	342.93	23.1	54.60	16.3	51.62	17.5
TOTAL FUNDED DEBT	79.95	13.4	91.13	16.7	268.45	27.2	247.31	26.3	348.40	22.0	338.44	22.8	32.11	9.6	36.60	12.4
RESERVES & EST LIABILITIES	7.84	1.3	5.37	1.0	19.26	2.0	22.24	2.4	27.10	1.7	27.61	1.9	3.80	1.1	3.67	1.2
ACCUM DEFERRED TAX CREDITS	24.10	4.1	19.07	3.5	31.90	3.2	30.00	3.2	56.00	3.5	49.07	3.3	13.89	4.1	6.91	2.3
TOTAL LIABILITIES	281.82	47.4	268.31	49.1	652.69	66.2	623.23	66.3	934.51	59.1	891.54	60.0	153.90	45.9	133.94	45.5
STOCKHOLDER'S EQUITY	312.65	52.6	278.58	50.9	333.86	33.8	316.78	33.7	646.51	40.9	595.38	40.0	181.32	54.1	160.56	54.5
TOTAL CAPITAL	380.05	63.9	369.61	67.6	601.85	61.0	568.67	60.5	981.91	62.1	938.28	63.1	235.92	70.4	212.19	72.0
TOTAL LIABILITIES & EQUITY	594.47	100.0	546.89	100.0	986.55	100.0	940.01	100.0	1,581.02	100.0	1,486.90	100.0	335.22	100.0	294.50	100.0
ANALYTICAL DATA	RATIOS		RATIOS		RATIOS		RATIOS		RATIOS		RATIOS		RATIOS		RATIOS	
OPERATING PERFORMANCE																
GROSS REVENUES TO EQUITY	4.16		4.33		7.58		7.51		5.93		6.02		3.63		3.99	
GROSS REVENUES TO TOTAL CAPITAL	3.42		3.26		4.21		4.18		3.90		3.82		2.79		3.02	
GROSS REVENUES TO NET CARR OPER PROP	4.12		4.30		5.10		4.97		4.71		4.72		3.97		5.36	
GROSS REVENUES TO CARR OPER PROP (COST)	2.00		2.13		2.80		2.74		2.47		2.50		2.08		2.88	
PRE-TAX INCOME TO GROSS REVENUES %	4.53		6.12		1.55		2.76		2.56		3.89		5.55		5.08	
PRE-TAX INCOME TO TOTAL CAPITAL, %	15.49		19.98		6.54		11.52		10.00		14.85		15.47		15.34	
AFTER TAX INCOME TO GROSS REVENUES %	3.16		3.86		0.82		1.89		1.62		2.55		3.85		2.74	
AFTER TAX INCOME TO EQUITY, %	13.16		16.72		6.24		14.18		9.59		15.37		13.97		10.95	
RETURN ON TRANSPORTATION INVESTMENT, %	18.90		22.72		11.13		17.93		14.12		19.85		16.31		22.73	
EXPENSE RATIO %	95.78		94.46		98.94		97.42		97.87		98.43		95.35		95.44	
OPERATING RATIO %	94.84		93.53		97.50		96.14		96.59		95.26		94.41		94.50	
AVERAGE REVENUE PER CARRIER	48.16		44.67		52.74		49.53		51.09		47.78		164.39		160.22	
NET INCOME PER CARRIER	1.52		1.73		0.43		0.94		0.83		1.22		6.33		4.40	
LIQUIDITY																
CASH THROW OFF, DOLLARS	99.40		91.72		113.19		126.71		212.59		218.44		44.34		36.14	
WORKING CAPITAL, DOLLARS	39.17		63.10		72.75		34.02		111.92		97.11		59.80		35.71	
CURRENT RATIO	1.21		1.41		1.22		1.11		1.22		1.21		1.73		1.50	
DAYS CASH OPER EXP IN WORK CAP	12.11		21.19		11.13		5.61		11.45		10.75		36.17		22.03	
AVERAGE DAYS COLLECTION PERIOD	34.94		34.41		35.41		32.94		35.25		33.43		20.14		29.99	
LEVERAGE & DEBT SERVICE																
FUNDED DEBT TO EQUITY	0.26		0.33		0.80		0.78		0.54		0.57		0.18		0.23	
NET DEBT TO EQUITY	0.08		0.05		0.38		0.47		0.24		0.27		0.18		0.02	
FUNDED DEBT TO TANGIBLE NET WORTH	0.27		0.34		0.83		0.81		0.56		0.59		0.19		0.24	
CASH THROW TO FUNDED DEBT DUE IN ONE YR %	606.49		596.89		166.15		196.00		251.54		272.99		897.56		665.94	
CASH THROW TO TOTAL FUNDED DEBT %	124.33		100.66		42.16		51.24		61.02		64.54		136.08		98.76	
INTEREST TO TOTAL FUNDED DEBT %	15.39		12.26		13.64		12.38		14.05		12.35		19.22		16.46	
CARRIER PROPERTY (NET) TO EQUITY	1.01		1.01		1.49		1.51		1.26		1.27		0.91		0.74	
ADDITIONAL RATIOS																
RECEIVABLES TO PAYABLES	1.77		2.08		2.05		2.02		1.95		2.04		1.89		3.23	
DEPREC TO DEBT DUE IN ONE YEAR	3.30		2.80		1.31		1.22		1.70		1.52		3.77		3.52	
TOTAL TANG PROP TO EQUITY	1.03		1.03		1.60		1.57		1.33		1.32		0.91		0.74	
INCOME BEFORE EXTRA ITEMS ETC TO EQUITY %	13.16		16.72		6.24		14.18		9.59		15.37		13.97		10.95	
GROSS REVENUES TO TOTAL TANG PROP	4.03		4.22		4.74		4.78		4.47		4.57		3.97		5.36	
PRODUCTIVITY MEASURES (INT-CTY CARR ONLY)																
TOTAL PAYROLL TO REVENUES %	37.30		38.16		26.37		26.48		30.23		30.57		34.90		34.64	
TOTAL PAYROLL (WPT) TO REVENUES %	46.40		45.45		53.94		54.97		51.28		51.99		59.30		60.43	
CARGO HANDLER COMPEN TO REVENUES %	6.72		6.68		4.02		4.20		4.97		5.14		6.66		6.20	
LINEHAUL EXPENSES TO REVENUES %	29.40		28.09		54.12		52.98		45.40		44.25		39.26		41.66	
REVENUE PER TON-MILE, CENTS	42.20		39.89		13.17		13.26		17.43		17.35		44.27		43.19	
AVERAGE LOAD, TONS	7.89		8.24		13.81		14.03		12.42		12.64		6.49		7.15	
TOTAL TONS, THOUS	15,655.04		14,575.33		28,840.80		25,966.14		42,495.85		40,540.47		9,251.77		9,360.42	
TOTAL MILES, THOUS	381,390.11		357,470.23		1,246,381.30		1,128,431.70		1,629,771.40		1,485,901.93		228,377.62		207,436.13	

251 THROUGH 500 MILES				501 THROUGH 750 MILES				751 MILES AND OVER				TOTAL CARRIERS GROSS REVENUES OVER $100,000,000 SUBTOTAL GROUP C-2				TOTAL CARRIERS WITH GROSS REVENUES OVER $25,000,000 COMBINED GROUP C			
10				6				10				30				105			
1985		1984		1985		1984		1985		1984		1985		1984		1985		1984	
$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%
1,648.58	100.0	1,597.69	100.0	1,697.10	100.0	1,623.21	100.0	6,315.91	100.0	6,252.40	100.0	10,319.15	100.0	10,114.19	100.0	14,151.14	100.0	13,897.77	100.0
56.13	3.4	55.50	3.5	55.87	3.3	55.43	3.4	297.78	4.7	254.71	4.1	428.39	4.2	380.00	3.8	571.99	4.0	501.98	3.7
236.35	14.3	252.93	15.8	117.90	6.9	119.81	7.4	331.57	5.2	353.14	5.6	846.27	8.2	891.16	8.8	1,698.92	12.0	1,703.93	12.4
1,609.52	97.6	1,558.13	97.5	1,606.08	94.6	1,543.12	95.1	6,030.45	95.5	5,918.13	94.7	9,866.82	95.6	9,824.98	95.2	13,568.29	95.9	13,038.66	95.2
39.05	2.4	39.56	2.5	91.03	5.4	80.09	4.9	285.47	4.5	334.28	5.3	452.32	4.4	489.20	4.8	582.85	4.1	659.09	4.8
20.18	1.2	21.39	1.3	7.89	0.5	8.70	0.5	43.47	0.7	32.37	0.5	77.71	0.8	68.49	0.7	126.65	0.9	110.27	0.8
13.18	0.8	15.72	1.0	82.77	4.9	77.38	4.8	251.40	4.0	307.58	4.9	383.85	3.7	433.23	4.3	482.07	3.4	572.59	4.2
2.35	0.1	0.95	0.1	35.27	2.1	31.99	2.0	88.71	1.4	76.61	1.2	132.39	1.3	118.41	1.2	161.63	1.1	161.32	1.2
4.61	0.3	3.31	0.2	7.95	0.5	8.66	0.5	58.91	0.9	48.59	0.8	73.48	0.7	63.78	0.6	81.42	0.6	70.16	0.5
4.75	0.3	4.43	0.3	0.11	0.0	0.16	0.0	28.56	0.5	27.11	0.4	35.01	0.3	30.73	0.3	35.94	0.3	32.14	0.2
15.67	1.0	17.79	1.1	39.66	2.3	36.89	2.3	132.34	2.1	209.50	3.4	212.99	2.1	281.76	2.8	274.97	1.9	373.25	2.7
0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	1.92	0.0	0.70	0.0	1.92	0.0	0.70	0.0	2.70	0.0	2.46	0.0
15.67	1.0	17.79	1.1	39.66	2.3	36.89	2.3	134.26	2.1	210.20	3.4	214.91	2.1	282.46	2.8	277.67	2.0	375.71	2.7
7.93	1.1	26.70	3.6	59.83	8.0	51.99	7.4	95.02	2.7	119.18	3.6	178.53	3.4	221.64	4.4	289.74	4.2	322.61	4.9
17.06	2.3	12.64	1.7	11.50	1.5	21.33	3.0	82.02	2.4	8.07	0.2	184.04	3.5	60.52	1.2	232.97	3.4	118.61	1.8
187.24	25.3	172.33	23.1	162.25	21.6	147.93	21.0	569.26	16.5	568.85	17.3	955.02	18.1	941.77	18.7	1,325.12	19.3	1,270.00	19.5
33.22	4.5	34.63	4.6	24.26	3.2	20.16	2.9	122.78	3.6	122.25	3.7	190.69	3.6	182.82	3.6	255.00	3.7	232.70	3.6
14.06	1.9	13.85	1.9	16.78	2.2	16.41	2.3	49.43	1.4	56.57	1.7	84.55	1.6	90.73	1.8	112.50	1.6	118.07	1.8
4.70	0.6	3.14	0.4	5.57	0.7	5.52	0.8	40.73	1.2	38.98	1.2	52.12	1.0	50.52	1.0	57.66	0.8	55.04	0.8
264.20	35.6	263.30	35.3	280.22	37.3	263.34	37.4	959.24	27.7	913.91	27.8	1,645.06	31.1	1,547.99	30.7	2,272.99	33.1	2,117.04	32.5
630.34	85.0	651.42	87.3	861.20	114.6	825.92	117.2	3,222.06	93.2	3,022.55	91.8	5,029.35	95.1	4,722.24	93.8	6,583.78	95.9	6,155.43	94.4
230.50	31.1	245.27	32.9	407.13	54.2	406.07	57.6	1,333.05	38.6	1,335.74	40.6	2,120.70	40.1	2,089.95	41.5	2,862.39	41.7	2,764.42	42.4
399.83	53.9	406.15	54.4	454.07	60.4	419.85	59.6	1,889.01	54.6	1,686.82	51.3	2,908.65	55.0	2,632.30	52.3	3,721.39	54.2	3,391.01	52.0
401.79	54.2	406.82	54.5	456.88	60.8	423.02	60.0	1,908.32	55.2	1,698.13	51.6	2,932.79	55.5	2,647.55	52.6	3,789.89	55.2	3,430.95	52.6
16.47	2.2	19.69	2.6	1.28	0.2	1.38	0.2	26.55	0.8	23.78	0.7	58.67	1.1	55.72	1.1	84.08	1.2	76.43	1.2
58.03	8.0	56.19	7.5	12.98	1.7	16.94	2.4	561.57	16.2	655.01	19.9	649.22	12.3	784.76	15.6	719.81	10.5	898.50	13.8
741.48	100.0	746.01	100.0	751.36	100.0	704.68	100.0	3,457.68	100.0	3,290.83	100.0	5,285.75	100.0	5,036.02	100.0	6,866.76	100.0	6,522.92	100.0
12.21	1.6	9.56	1.3	10.62	1.4	2.24	0.3	29.79	0.9	39.50	1.2	76.48	1.4	61.85	1.2	115.98	1.7	106.12	1.6
8.46	1.1	1.88	0.3	0.00	0.0	0.00	0.0	8.57	0.2	13.77	0.4	19.09	0.4	18.24	0.4	42.27	0.6	29.74	0.5
45.98	6.2	56.82	7.6	59.80	8.0	56.23	8.0	223.69	6.5	234.79	7.1	346.65	6.6	361.54	7.2	513.33	7.5	511.07	7.8
17.80	2.4	14.49	1.9	22.38	3.0	19.19	2.7	173.26	5.0	100.17	3.0	217.95	4.1	141.56	2.8	257.95	3.8	182.53	2.8
0.93	0.1	3.09	0.4	6.46	0.9	5.73	0.8	102.28	3.0	74.70	2.3	118.68	2.2	96.44	1.9	136.96	2.0	115.15	1.8
21.23	2.9	17.26	2.3	7.61	1.0	9.75	1.4	45.66	1.2	21.79	0.7	74.44	1.4	52.88	1.1	158.95	2.3	132.90	2.0
76.72	10.3	71.75	9.6	98.52	13.1	86.80	12.3	472.64	13.7	401.51	12.2	667.94	12.6	580.25	11.5	811.79	11.8	707.19	10.8
183.33	24.7	174.86	23.4	205.40	27.3	179.93	25.5	1,050.89	30.4	886.24	26.9	1,521.22	28.8	1,312.76	26.1	2,037.23	29.7	1,784.70	27.4
72.21	9.7	50.11	6.7	33.96	4.5	34.36	4.9	139.55	4.0	272.95	8.3	273.14	5.2	378.52	7.5	344.66	5.0	461.03	7.1
111.25	15.0	125.20	16.8	59.08	7.9	53.29	7.6	300.89	8.7	209.92	6.4	498.39	9.4	420.92	8.4	762.27	11.1	679.34	10.4
183.46	24.7	175.30	23.5	93.04	12.4	87.65	12.4	440.43	12.7	482.87	14.7	771.53	14.6	797.45	15.8	1,106.93	16.1	1,140.37	17.5
132.48	17.9	142.46	19.1	66.69	8.9	63.03	8.9	341.55	9.9	231.71	7.0	572.82	10.8	473.81	9.4	921.22	13.4	812.24	12.5
11.93	1.6	8.32	1.1	19.53	2.6	16.45	2.3	145.10	4.2	146.32	4.4	180.37	3.4	174.76	3.5	207.47	3.0	202.37	3.1
38.59	5.2	39.52	5.3	57.17	7.6	56.12	8.0	254.21	7.4	206.32	6.3	363.87	6.9	308.86	6.1	419.87	6.1	357.94	5.5
417.30	56.3	398.00	53.4	375.15	49.9	340.15	48.3	1,890.63	54.7	1,721.75	52.3	2,836.98	53.7	2,593.84	51.5	3,771.49	54.9	3,485.38	53.4
324.18	43.7	348.01	46.6	376.21	50.1	364.53	51.7	1,567.04	45.3	1,569.08	47.7	2,448.76	46.3	2,442.18	48.5	3,095.27	45.1	3,037.54	46.6
507.64	68.5	523.31	70.1	469.26	62.5	452.16	64.2	2,007.47	58.1	2,051.95	62.4	3,220.29	60.9	3,239.63	64.3	4,202.20	61.2	4,177.91	64.0
741.48	100.0	746.01	100.0	751.36	100.0	704.68	100.0	3,457.68	100.0	3,290.83	100.0	5,285.75	100.0	5,036.02	100.0	6,866.76	100.0	6,522.92	100.0
RATIOS		RATIOS		RATIOS		RATIOS		RATIOS		RATIOS		RATIOS		RATIOS		RATIOS		RATIOS	
5.09		4.59		4.51		4.45		4.03		3.98		4.21		4.14		4.57		4.51	
3.25		3.05		3.62		3.59		3.15		3.05		3.20		3.12		3.37		3.28	
4.12		3.93		3.74		3.87		3.34		3.71		3.55		3.84		3.80		4.04	
2.62		2.45		1.97		1.97		1.96		2.07		2.05		2.14		2.15		2.23	
0.80		0.98		4.86		4.77		3.98		4.92		3.72		4.28		3.41		4.18	
2.60		3.00		17.64		17.11		12.52		14.99		11.92		13.37		11.47		13.71	
0.95		1.11		2.34		2.27		2.10		3.35		2.06		2.79		1.94		2.72	
4.53		5.11		10.54		10.12		8.45		13.35		8.70		11.54		8.88		12.29	
8.12		8.00		17.21		15.91		15.88		19.50		14.92		17.06		14.73		17.70	
96.86		96.86		95.10		95.60		96.17		95.17		96.37		95.84		96.78		95.99	
97.63		97.52		94.64		95.07		95.48		94.65		95.62		95.16		93.05		95.19	
164.86		159.77		282.65		270.53		631.59		625.24		343.97		337.14		134.77		130.45	
1.57		1.78		6.61		6.15		13.23		20.95		7.10		9.39		2.62		3.55	
71.67		72.17		103.37		100.82		460.47		485.68		679.85		694.81		892.44		913.25	
80.87		88.45		74.83		83.40		91.65		27.67		123.84		235.23		235.76		332.34	
1.44		1.51		1.36		1.46		0.91		1.03		1.08		1.18		1.12		1.19	
18.97		21.43		17.62		20.45		5.83		1.78		4.78		9.27		6.61		9.66	
41.46		39.37		34.90		33.26		32.90		33.21		33.78		33.99		34.18		33.84	
0.41		0.41		0.18		0.17		0.22		0.15		0.23		0.19		0.30		0.27	
0.09		0.11		0.04		0.08		0.25		0.12		0.15		0.08		0.17		0.11	
0.43		0.43		0.18		0.17		0.22		0.15		0.24		0.20		0.31		0.27	
337.59		416.01		1,359.13		1,034.39		1,132.48		2,228.74		913.33		1,313.67		561.45		687.18	
54.10		50.66		155.01		159.94		134.82		209.60		118.66		146.64		96.88		112.44	
15.23		15.01		11.63		13.80		12.73		13.97		13.57		14.45		13.75		13.58	
1.23		1.17		1.21		1.15		1.21		1.06		1.19		1.08		1.20		1.12	
3.44		2.94		2.71		2.63		2.45		2.29		2.61		2.48		2.39		2.35	
2.64		3.21		7.35		5.69		7.32		11.69		5.76		7.19		3.60		3.78	
1.24		1.17		1.21		1.16		1.22		1.06		1.20		1.08		1.22		1.13	
5.10		5.11		10.54		10.12		8.45		13.35		8.73		11.54		8.91		12.29	
4.10		3.93		3.71		3.84		3.31		3.66		3.52		3.82		3.73		3.99	
35.71		35.56		36.24		36.35		36.94		37.72		36.83		37.29		35.09		35.58	
50.05		51.39		45.19		45.74		42.19		43.37		45.03		46.10		46.67		47.59	
7.76		7.68		8.54		8.38		8.74		9.17		8.42		8.62		7.51		7.73	
36.76		39.09		34.68		36.46		36.41		39.09		37.56		38.84		39.64		40.21	
30.60		26.73		23.74		21.54		19.17		18.56		21.97		20.77		20.59		19.81	
10.14		11.03		12.03		12.20		14.53		14.32		12.97		13.06		12.80		12.95	
14,433.34		16,513.25		11,426.48		12,223.23		27,679.60		29,402.17		62,793.19		67,499.08		105,289.03		108,039.55	
506,412.37		520,705.60		559,673.36		585,484.65		2,197,444.20		2,277,316.40		3,491,907.55		3,590,942.79		5,121,678.96		5,076,844.72	

dropped them to near "middle of the ground" margins. Their operating ratio rose to 95.48; falling were the profit margin (to 2.10%); return on equity (to 8.45%); and return on transportation investment (to 15.88%). The gap between the big more profitable carriers and their weaker counterpart competitors widened materially, foreshadowing the failures that came in 1986.

Liquidity

Among the four length of haul segments in C-2, those that excelled in profits were also strong in liquidity. Again the short haul carrier segment achieved the best overall ranking in the industry, and the 500-750 mile group, one of the top rankings, both far better than their other two length of haul peer groups.

The favorable earnings turn in 1985 for the short haul carrier group led to a 22.7% increase in cash throw. In addition, they managed a hefty 67.5% increase in working capital, which raised their current ratio from an already healthy 1.50 to 1.73 by year end 1985. This affords them substantial coverage of daily cash operating expenses from working capital, up to 36 days from 22 days in 1984.

The 500-750 mile group also managed an improvement in cash throw, up 2.5%. Otherwise, though, their liquidity changes were not so positive. Working capital dropped 10.3%, reducing their current ratio to 1.36 from 1.46, and decreasing their coverage of operating expenses from 20 to 18 days. They do, however, rank first in the industry in cash throw coverage of current debt, an important factor in remaining operationally liquid.

The long haul carriers had a severe downturn in liquidity in 1985. Cash throw, on the one hand, decreased by 5.2%, reflecting the downturn in net income. Moreso, however, working capital turned negative as current liabilities grew far in excess of current assets (18.6% vs. 5%). Their current ratio, already weak in 1984 at 1.03, dropped under the 1.0 threshold, ending at 0.91 in 1985. The one positive attribute for these carriers is a healthy coverage of current debt maturities from cash throw, ranking second best in the industry. Otherwise, their liquidity position is very tenuous.

Also showing decreased liquidity year to year were the 250-500 mile carrier group. They experienced a minor 0.7% reduction in cash throw, and an 8.6% drop in working capital. These changes, however, had only a minor effect on liquidity. The current ratio dropped from 1.51 to 1.44. The working capital coverage of daily cash operating expenses declined by 2 days from 21 to 19 days coverage. All in all, these carriers retain a sound liquidity posture.

Investments/Leverage

The largest general freight carriers have kept up the stream of investments in their equipment to keep it reasonably new, and due to their generally sound profitability, have been able to manage the investments through income and retained earnings, thereby minimizing borrowings and the associated interest expense drain on net income. Three of the four length of haul groups in C-2 are within the upper quartile of least leveraged segments in the industry; the remaining group (250-500 mile length of haul) is close behind.

Indeed, the "newest" fleet in the business is that of the 250-500 mile length of haul group, only 37% depreciated in 1985. They made no net investments in fleet during the year; in fact, decreasing operating property at cost by 3.2%. They also managed to reduce debt levels in 1985 by 7.1%, and interest expenses by 5.6%. Their leverage position didn't improve though, as they retained a 0.41 debt to equity ratio, same as in 1984. Interest expenses also remain relatively high at 1.2% of revenues, and just over 50% of operating income.

The short haul group made substantial operating equipment purchases in 1985, adding 42% to carrier operating property at cost. Depreciation charges went up even faster (46%), thereby leaving their fleet slightly more depreciated at year end 1985 than in 1984. They accomplished these increases while simultaneously reducing their funded debt by 12.3%, thereby dropping their funded debt to equity ratio from 0.23 in 1984 to 0.18 in 1985. This is among the lowest in the industry. With a cash throw to funded debt ratio of 138 in 1985, the short haul carriers could be debt free in well under a year.

The short haul carriers did increase their interest expenses slightly, even though funded debt levels declined. Interest remains virtually no burden for the group, however, representing less than 17% of operating income.

The longer haul carriers (over 750 miles) reduced their fleet age to 41% depreciated from 44% in 1984 by expending 6.6% more for property at cost, with virtually no change in depreciation. They incurred, though, a steep 47% increase in funded debt, and an associated 34% rise in interest expense. Their debt to equity ratio deteriorated somewhat, from 0.15 in 1984 to 0.22, but remains among the industry's lowest. Similarly, the rise in interest expense had no material impact, representing 0.7% of revenues and 15% of operating income, very "affordable" by present industry standards.

Least leveraged among the C-2 carrier groups was the 500-750 mile segment. In 1985 they added to carrier operating property at cost by 4.3%, reducing the age of the fleet to 47% depreciated. Debt levels increased slightly, by 5.7%, and their debt to equity ratio was virtually unchanged at 0.18. They are in a very favorable debt payoff position based on current amount of cash throw, and interest expense is virtually inconsequential to them, only 0.5% of revenues and 8.7% of operating profits.

Performance in 1986

The nine month 1986 performance of the largest general freight carriers vividly indicates the superior position and presence they have achieved in the industry. Tonnage has grown 3.6%, almost double that of their peers in C-1. Mileage, up 7.6%, is more than double C-1's 3% mileage growth. While business increases of the largest general freight carriers in C-2 are not totally out of line with what some other groups may achieve, (Group A has a slightly higher nine month mileage increase; Group B, slightly higher in tonnage) they are, nonetheless, virtually always near the top in performance.

The business gains of the largest in general freight have produced a very healthy revenue increase of 9.4% through nine months, more than double that of any other general freight carrier group. Operating profits have been boosted 89%, with expense increases held under 6%. This favorable change has allowed their operating ratio, 95.9 in 1985, to slip under 93 going into the winter quarter. Net profits, too, have favorably improved, up over 70 percent to near a 3.8% profit margin from 2.4% for nine months of 1985. However, early results of the fourth quarter indicate an increasingly heavy toll from rate discounting with many carriers trailing 1985 fourth quarter results despite cheaper fuel. While 1986 as a whole will have the best results achieved to date in the decade of the 1980's and can provide the springboard for enhancing overall financial posture to weather any potential downturns and simultaneously maintain financial strength, the problem of rate discounting is also growing without enough evidence yet that managements are more willing to take less market share gains in return for better financial results.

Specialized Carriers with Revenues Greater than $1 Million Annually

Introduction

Specialized motor carriers, generally synonymous with truckload carriage, embrace a wide variety of trucking operations. In many areas of specialized hauling, it is the equipment which largely dictates the shippers served; in other areas, the equipment type is suitable to a wide variety of freight, but the carrier tends to specialize in selected commodities. Other carriers in this highly competitive segment of trucking will haul virtually anything, anytime, anywhere.

Among specialized carriers, those which provide generally unique services to select shippers are motor vehicle (automobile) haulers, transporting new and used cars, and tank truck operators, who haul petroleum, liquid chemicals, and other bulk liquid products, such as milk. Their equipment is not suited to handling product lines other than those for which it was designed. Other specialized carriers such as those handling building materials and heavy machinery tend to focus on those product lines although their equipment, mainly flatbed trailers, could be used for some other products as well. The same applies to refrigerated product haulers, principally transporting freight requiring temperature control. Household goods carriers used to focus almost exclusively on moving new and used furniture for office buildings and personal residences, but have diversified into transporting other commodities extremely sensitive to road vibrations, computers for example.

The most versatile of the specialized carrier is the dry van operator, whose equipment is suited to handling the widest variety of commodities. These carriers specialize in truckload freight quantities generally to avoid the extensive investment requirements for handling substantial quantities of small shipments, where terminals and pickup and delivery equipment come into play. However, they do handle much freight categorized weight-wise as "less-than-truckload," but, by dimension, more truckload in nature. Also, they'll handle consolidated loads of small shipments to one or a few destinations for brokers, freight forwarders, or other consolidators, or haul small shipments on backhauls, or simply, if the load's revenue covers transporting costs.

In the main, however, specialized motor carriers operate handling truckload quantities from single origins to single destinations, minimizing investments in buildings and terminals. This is one of the main differences between them and their general freight counterparts. General freight carriers also own smaller sized pickup and delivery vehicles, or contract with other firms to make pickups and deliveries, another difference with specialized carriers. Further, the operating environment of specialized carriers is conducive to the use of owner-operators, that is, drivers who own their own equipment and lease their services to the carrier. Use of owner-operators is far more prevalent among specialized carriers than general freight.

The 1,010 specialized carriers represented in this 1986 Financial Analysis account for 43.6% of the summarized revenues for Class I and II carriers. These firms, based on average revenue, are about half the size of the general freight carriers in the data base - $13.38 million compared to $28.32 million for the average general freight carrier. From an overall industry perspective, however, the vast majority of smaller sized Class III carriers (over 30,000 firms with annual revenues under $1 million) also operate as specialized truckload firms. Thus, the revenue size of the average specialized carrier would tend to be much smaller than indicated by firms included in this analysis.

1985 Results - All Specialized Carriers

Specialized motor carriers had, on average, a rougher year in 1985 than their general freight counterparts. They achieved somewhat higher revenue growth (3.5% versus 2.8%), saw some tonnage addition (1% versus a 1.9% decline), but slipped in mileage. More importantly, however, they suffered a more severe decline in operating and net income than general freight carriers. With generally lower profit margins in 1984, the disparity was even greater by year end 1985. On all counts, their profits were worse than for general freight: operating ratio - 97.45 versus 96.27; profit margin - 1.54% versus 1.81%; return on equity - 8.38% versus 8.49%; and return on transportation investment - 10.20% versus 13.88%.

The debt and leverage position of specialized carriers as a group is also worse than for general freight. Based on debt to equity, they were almost twice as leveraged in 1984 than general freight (0.53 versus 0.30), and added far more debt in 1985 (20.9% increase versus 12.4%). Thus, the debt to equity disparity increased. Resultingly, their interest obligation remains high -- interest takes 1.4% of revenues and 54.8% of operating income. It will likely remain high for some time, since, based on cash throw, they would need almost two years to bail out of debt, compared to just over one year for general freight carriers. The specialized carriers added to their fleet investment in 1985, the major reason for adding new debt, but future investment demands remain strong with their fleet over half depreciated, thus, somewhat old. Their use of purchased transportation, the alternative "source" of equipment, remained unchanged between 1984 and 1985, at 36.1% of revenues.

On the positive side, the liquidity position of specialized carriers generally improved in 1985, while that of the general freight firms deteriorated. Working capital improved 21% for specialized carriers, versus a 20.6% decline for general freight. Their current ratio strengthened as a result, rising from 1.27 to 1.30, and compares favorably to the general freight's 1.16. Specialized carriers also increased their coverage of daily cash operating expenses from working capital, rising from 15 days in 1984 to almost 18 days in 1985. This is almost twice as good as in general freight, where coverage in 1985 is down to 9 days. On the other hand, cash throw (dependent on the income statement and earnings of the carriers) declined 4.2% for specialized truckers in 1985.

The key for specialized carriers strengthing their financial posture is improved earnings. Some is occurring in 1986 although it's too early to tell whether it will improve enough or provide a sufficient earnings margin. Improved earnings will, however, improve cash throw, minimize the immediate interest drain on operating profits, and in the longer run provide an alternative source of investment funds to the debt market.

This is simple enough to say, much harder to accomplish, since specialized carriers face by far the greatest increase in post-regulation competition, and the wildest variety of prices and discounts in the business. Further, earnings improved in 1986 due to fuel price declines, and the shippers' inability to keep up with them in their ever-prevalent quest for the lowest price carrier. Don't expect shippers to be so "generous" or slow to catch on in 1987. Thus, it's difficult to translate the improved earnings of 1986 into a long term trend toward profit normalcy.

The following reviews of specific segments of specialized carriers will follow their order in the Group D data tables.

Household Goods Carriers

The household goods carriers had a rather down business year in 1985, with tonnage off 0.3% and mileage down a substantial 16.2%. While they managed to translate this into higher revenues (up 4.6%), increases in operating expenses (up 5.8%) resulted in a dismal bottom line. Their operating income fell 48.2%. Through their relatively profitable ancillary services, such as packing and crating, they managed to keep net income from falling as much, but it too was down a significant 29.8%.

The relative changes in revenues and expenses impacted earnings adversely. The household goods carriers' operating ratio rose to 98.89 (second highest among specialized carriers) from 97.75 and their profit margin slipped to 1.99% from 2.91% the year earlier. Return on equity fell by a third - from 18.54% to 12.33%, and return on transportation investment, by two-thirds (from 18.56% to 6.42%).

Despite the adverse changes to profitability in 1985, the liquidity of the household goods carriers improved overall. The current ratio grew from 1.23 to 1.31 as working capital increased a substantial 52%. This afforded heightened coverage of daily cash operating expenses, up from 15 days to 22 days.

The "movers" increased their investment in carrier operating property by 29% in 1985, the highest investment increase among specialized carrier segments and the second highest in the industry. In so doing, they reduced the age of their operating property to 42% depreciated, also best among specialized segments. However, this required a substantial increase in borrowed funds, up 37.5% year over year. Their interest expenses jumped 80.4%.

As a product of the debt increase, the debt to equity position of household goods carriers deteriorated (up from 0.36 to 0.46), and the interest drain on the income statement rose substantially. Interest in 1985 took 1.1% of revenues, not too bad, but it exceeded total operating income. Were it not for the ancillary services, the household goods carriers could have ended 1985 with a net loss. Further, it would take them almost two and a half years to become debt free using all cash throw for debt retirement.

The household goods carriers remain, thus, in a rather tight and unpleasant financial position. Since they operate with a substantial number of owner-operators (purchased transportation expenses more than half of revenues - highest among specialized carriers, and within the industry), the companies can continue to operate for long periods on low margins. For many though, the question is how long.

Despite general improvements in the industry's financial situation in 1986, the household goods carriers remain the exception. As the table at the end of this Financial Analysis indicates, they continue to show reduced earnings through nine months, although their business is reasonably strong. Operating expenses and interest obligations continue to erode revenues and drain operating profits.

Heavy Machinery Haulers

The heavy machinery haulers ended 1985 in the worst shape in the industry. While improving tonnage a fraction (0.8%), mileage declined and revenues were flat compared to 1984. Expenses rose, though, reducing operating profits by half. Small profits of 1984 were totally eroded, as the segment ended the year with a net loss. Their operating ratio of 99.36 was worst among specialized carriers, as was their net operating loss. They were the only specialized segment to end 1985 with a net loss. Return on equity was negative, and return on transportation investment provided a meager 2.31% return.

The heavy machinery group added very little in carrier operating property in 1985 (up only 4.4%), but found it necessary to increase funded debt levels rather substantially -- a 21.9% increase. Their debt to equity position deteriorated from 0.54 in 1984 to 0.69, the worst relative increase among specialized carriers. Debt pressures could possibly worsen in the next few years because their fleet is over two-thirds depreciated, thus, in need of replacement.

They do have a strong working capital position, which keeps their net debt level sound; however, that too is slipping. The debt associated interest penalty is substantial in the segment, taking 1.8% of revenues and almost 3 times the total net operating profits, the factor turning a slight operating profit into a net loss.

The strained income statement leaves the segment virtually no cash throw (only that generated through depreciation). If cash throw were applied to debt retirement exclusively, the group would need in excess of 5 years to rid itself of its funded obligations.

Despite these negatives, however, the heavy machinery haulers retain fairly strong liquidity. Their current ratio is a more than adequate 1.50, up from 1.44, as working capital increased 21.2% from 1984. Working capital will cover almost 36 days of cash operating expenses, up from 30 days a year earlier.

Also on the positive side, 1986 results for nine months signal a strong turnaround in the segment. Tonnage

Carrier Group D

COMMODITY	HOUSEHOLD GOODS		HEAVY MACHINERY		PETROLEUM		REFRIGERATED PRODUCTS	
NUMBER OF CARRIERS	106		52		108		93	
YEAR	1985	1984	1985	1984	1985	1984	1985	1984

INCOME STATEMENT

	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%
INCOME & EXPENSE DATA																
GROSS REVENUES	2,869.60	100.0	2,743.18	100.0	446.63	100.0	446.75	100.0	1,595.45	100.0	1,603.79	100.0	1,205.17	100.0	1,119.81	100.0
DEPRECIATION	38.66	1.3	31.33	1.1	18.17	4.1	21.66	4.8	94.69	5.9	92.75	5.8	51.87	4.3	43.93	3.9
PURCHASED TRANSPORTATION	1,515.16	52.8	1,447.36	52.8	172.45	38.6	174.55	39.1	404.17	25.3	387.65	24.2	605.27	50.2	564.60	50.4
TOTAL OPERATING EXPENSES	2,837.65	98.9	2,681.45	97.7	443.77	99.4	440.98	98.7	1,566.77	98.2	1,562.02	97.4	1,173.21	97.3	1,074.41	95.9
NET CARRIER OPERATING INCOME	31.96	1.1	61.73	2.3	2.87	0.6	5.77	1.3	28.68	1.8	41.78	2.6	31.96	2.7	45.40	4.1
INTEREST EXPENSE	32.04	1.1	17.76	0.6	8.04	1.8	8.11	1.8	30.26	1.9	30.22	1.9	22.95	1.9	19.32	1.7
NET INCOME BEFORE TAXES	80.13	2.8	118.92	4.3	2.31-	0.5-	3.26	0.7	7.36	0.5	22.79	1.4	21.50	1.8	37.24	3.3
INCOME TAXES-CURRENT	32.01	1.1	49.80	1.8	2.02	0.5	4.36	1.0	1.79	0.1	6.59	0.4	2.52	0.2	9.44	0.8
DEFERRED INCOME TAXES	1.02	0.0	0.34	0.0	0.03	0.0	1.06-	0.2-	0.22-	0.0	0.73	0.0	4.86	0.4	1.24	0.1
OTHER ADJUSTMENTS TO INCOME	10.06	0.4	11.07	0.4	0.27	0.1	0.26	0.1	0.17	0.0	0.66	0.0	0.35-	0.0	0.17-	0.0
INCOME BEFORE EXTRA ITEMS	57.16	2.0	79.85	2.9	4.09	0.9-	0.21	0.0	5.96	0.4	16.13	1.0	13.76	1.1	26.40	2.4
EXTRAORDINARY ITEMS	1.07-	0.0	0.05	0.0	0.00	0.0	0.79	0.2	0.08	0.0	0.00	0.0	0.74	0.1	0.60	0.1
NET INCOME AFTER TAXES	56.09	2.0	79.89	2.9	4.09-	0.9-	1.01	0.2	6.03	0.4	16.14	1.0	14.51	1.2	26.99	2.4

BALANCE SHEET

ASSETS																
CASH	51.30	3.7	29.21	2.6	23.85	10.0	26.55	11.9	66.32	8.1	67.82	8.7	23.58	4.2	32.22	6.4
RECEIVABLES FROM AFFILIATES	70.30	5.1	51.60	4.6	7.47	3.1	7.48	3.3	24.96	3.0	24.34	3.1	53.63	9.5	36.35	7.2
NOTES & ACCOUNTS RECEIVABLE	476.54	34.4	405.52	36.0	77.68	32.5	67.69	30.2	158.00	19.3	141.30	18.1	122.82	21.7	97.80	19.4
PREPAID EXPENSES	41.27	3.0	38.79	3.4	9.57	4.0	6.30	2.8	36.31	4.4	31.70	4.1	19.20	3.4	16.44	3.3
MATERIALS & SUPPLIES	13.64	1.0	14.86	1.3	3.31	1.4	3.20	1.4	17.88	2.2	18.15	2.3	7.79	1.4	10.11	2.0
OTHER CURRENT ASSETS	68.54	4.9	49.12	4.4	3.67	1.5	3.10	1.4	4.47	0.5	3.11	0.4	1.62	0.3	0.98	0.2
TOTAL CURRENT ASSETS	721.60	52.1	589.10	52.2	125.55	52.6	114.29	51.0	307.94	37.5	286.42	36.7	228.44	40.4	193.91	38.5
CARRIER OPERATING PROPERTY	568.13	41.0	439.99	39.0	223.68	93.6	214.25	95.6	1,025.25	125.0	986.60	126.3	462.35	81.7	410.09	81.5
RESERVE FOR DEPRECIATION	240.50	17.4	219.24	19.4	141.48	59.2	133.59	59.6	585.99	71.4	581.72	71.9	204.40	36.1	181.51	36.1
CARRIER OPERATING PROPERTY NET	327.63	23.7	220.76	19.6	82.21	34.4	80.66	36.0	439.26	53.5	424.88	54.4	257.95	45.6	228.58	45.4
TOTAL TANGIBLE PROPERTY	350.69	25.3	247.98	22.0	92.84	38.9	92.65	41.4	445.39	54.3	430.15	55.1	266.25	47.1	239.98	47.7
INTANGIBLES	49.42	3.6	51.50	4.6	0.95	0.4	0.82	0.4	6.87	0.8	4.29	0.6	5.25	0.9	3.88	0.8
OTHER ASSETS	263.47	19.0	239.38	21.2	19.57	8.2	18.25	7.3	60.09	7.3	60.19	7.7	65.84	11.6	65.23	13.0
TOTAL ASSETS	1,385.18	100.0	1,127.94	100.0	238.91	100.0	224.02	100.0	820.30	100.0	781.04	100.0	565.78	100.0	503.01	100.0
LIABILITIES & EQUITY																
PAYABLES TO AFFILIATES	87.46	6.3	52.39	4.6	3.44	1.4	2.51	1.1	11.31	1.4	11.75	1.5	31.82	5.6	16.18	3.2
NOTES PAYABLE	56.46	4.1	36.86	3.3	2.51	1.1	2.25	1.0	8.74	1.1	6.97	0.9	9.33	1.6	15.23	3.0
ACCOUNTS PAYABLE	214.22	15.5	190.39	16.9	27.15	11.4	24.40	10.9	73.33	8.9	67.43	8.6	58.01	10.3	46.56	9.3
MISC PAYABLES & ACCRUALS	13.74	1.0	12.86	1.1	6.74	2.8	5.41	2.4	18.27	2.2	16.18	2.1	5.26	0.9	5.53	1.1
TAXES PAYABLE	13.08	0.9	30.55	2.7	1.71	0.7	2.97	1.3	10.11	1.2	10.08	1.3	9.60	1.7	9.34	1.9
FUNDED DEBT DUE WITHIN ONE YEAR	70.31	5.1	64.18	5.7	31.87	13.3	32.39	14.5	86.09	8.1	52.39	6.7	40.55	7.2	34.66	6.9
OTHER CURRENT LIABILITIES	96.42	7.0	90.06	8.0	10.08	4.2	9.65	4.3	58.77	6.9	53.54	6.9	17.56	3.1	15.88	3.2
TOTAL CURRENT LIABILITIES	551.68	39.8	477.29	42.3	83.52	35.0	79.59	35.5	244.83	29.8	218.34	28.0	172.13	30.4	143.40	28.5
ADVANCES PAYABLE	174.52	12.6	82.29	7.3	4.51	1.9	1.53	0.7	31.00	3.8	35.76	4.6	34.73	6.1	34.72	6.9
FUNDED DEBT DUE AFTER ONE YEAR	141.32	10.2	89.67	7.9	39.07	16.4	25.78	11.5	172.64	21.0	161.43	20.7	143.57	25.4	123.46	24.5
TOTAL LONG TERM DEBT	315.84	22.8	171.96	15.2	43.58	18.2	27.31	12.2	203.64	24.8	197.18	25.2	178.29	31.5	158.18	31.4
TOTAL FUNDED DEBT	211.63	15.3	153.85	13.6	70.94	29.7	58.17	26.0	238.73	29.1	213.82	27.4	184.12	32.5	158.14	31.4
RESERVES & EST LIABILITIES	20.71	1.5	10.30	0.9	1.16	0.5	0.92	0.4	10.81	1.3	10.12	1.3	7.60	1.3	7.71	1.5
ACCUM DEFERRED TAX CREDITS	33.44	2.4	37.62	3.3	8.45	3.5	7.75	3.5	38.86	4.7	35.48	4.5	17.65	3.2	11.94	2.4
TOTAL LIABILITIES	921.67	66.5	697.18	61.8	136.70	57.2	115.58	51.6	497.94	60.7	461.13	59.0	375.86	66.4	321.23	63.9
STOCKHOLDER'S EQUITY	463.52	33.5	430.76	38.2	102.20	42.8	108.44	48.4	322.36	39.3	319.92	41.0	189.90	33.6	181.78	36.1
TOTAL CAPITAL	779.35	56.3	602.72	53.4	145.78	61.0	135.75	60.6	526.00	64.1	517.10	66.2	368.19	65.1	339.96	67.6
TOTAL LIABILITIES & EQUITY	1,385.18	100.0	1,127.94	100.0	238.91	100.0	224.02	100.0	820.30	100.0	781.04	100.0	565.76	100.0	503.01	100.0

ANALYTICAL DATA

	RATIOS	RATIOS	RATIOS	RATIOS	RATIOS	RATIOS	RATIOS	RATIOS
OPERATING PERFORMANCE								
GROSS REVENUES TO EQUITY	6.19	6.37	4.37	4.12	4.95	5.01	6.35	6.16
GROSS REVENUES TO TOTAL CAPITAL	3.68	4.55	3.06	3.29	3.03	3.10	3.27	3.29
GROSS REVENUES TO NET CARR OPER PROP	8.76	12.43	5.43	5.54	3.63	3.77	4.67	4.90
GROSS REVENUES TO CARR OPER PROP (COST)	5.05	6.23	2.00	2.09	1.56	1.63	2.61	2.73
PRE-TAX INCOME TO GROSS REVENUES %	2.79	4.34	0.52-	0.73	0.46	1.42	1.78	3.33
PRE-TAX INCOME TO TOTAL CAPITAL %	10.28	19.73	1.58-	2.40	1.40	4.41	5.84	10.95
AFTER TAX INCOME TO GROSS REVENUES %	1.99	2.91	0.92	0.05	0.37	1.01	1.14	2.36
AFTER TAX INCOME TO EQUITY %	12.33	18.54	4.00-	0.20	1.85	5.04	7.25	14.52
RETURN ON TRANSPORTATION INVESTMENT %	6.42	18.56	2.31	5.00	5.71	8.47	10.17	16.27
EXPENSE RATIO %	100.00	98.40	101.16	100.52	100.10	99.28	99.25	97.67
OPERATING RATIO %	98.89	97.75	99.36	98.71	98.20	97.40	97.35	95.95
AVERAGE REVENUE PER CARRIER	27.07	25.88	8.5-	8.59	14.77	14.85	12.96	12.04
NET INCOME PER CARRIER	0.54	0.75	0.08	0.00	0.06	0.15	0.15	0.28
LIQUIDITY								
CASH THROW OFF, DOLLARS	86.78	100.45	13.84	20.56	100.26	108.95	70.85	71.73
WORKING CAPITAL, DOLLARS	169.92	111.81	42.04	34.70	63.32	68.08	56.31	50.51
CURRENT RATIO	1.31	1.23	1.50	1.44	1.26	1.31	1.33	1.35
DAYS CASH OPER EXP IN WORK CAP	22.14	15.39	35.86	30.05	15.57	18.75	18.24	17.76
AVERAGE DAYS COLLECTION PERIOD	50.61	53.96	63.49	55.31	36.15	32.16	37.14	31.68
LEVERAGE & DEBT SERVICE								
FUNDED DEBT TO EQUITY	0.46	0.36	0.69	0.54	0.74	0.67	0.97	0.87
NET DEBT TO EQUITY	0.06	0.05	0.03	0.06	0.34	0.29	0.46	0.40
FUNDED DEBT TO TANGIBLE NET WORTH	0.51	0.41	0.70	0.54	0.76	0.68	1.00	0.89
CASH THROW TO FUNDED DEBT DUE IN ONE YR %	123.43	156.52	43.42	63.47	151.70	207.96	174.70	206.84
CASH THROW TO TOTAL FUNDED DEBT %	41.01	66.29	19.51	35.34	42.00	50.96	38.48	45.36
INTEREST TO TOTAL FUNDED DEBT %	15.14	11.55	11.34	13.93	12.66	14.13	12.46	12.22
CARRIER PROPERTY (NET) TO EQUITY	0.71	0.51	0.80	0.74	1.36	1.33	1.36	1.26
ADDITIONAL RATIOS								
RECEIVABLES TO PAYABLES	1.76	1.78	2.62	2.54	1.93	1.90	1.82	1.58
DEPREC TO DEBT DUE IN ONE YEAR	0.55	0.49	0.57	0.57	1.43	1.77	1.28	1.27
TOTAL TANG PROP TO EQUITY	0.76	0.58	0.91	0.85	1.38	1.34	1.40	1.32
INCOME BEFORE EXTRA ITEMS ETC TO EQUITY %	12.33	18.48	4.00-	0.20	1.85	5.04	7.40	14.52
GROSS REVENUES TO TOTAL TANG PROP	8.18	11.06	4.81	4.82	3.58	3.73	4.53	4.67
PRODUCTIVITY MEASURES (INT-CTY CARR ONLY)								
TOTAL PAYROLL TO REVENUES %	13.34	13.36	14.35	13.75	22.91	24.06	11.84	11.25
TOTAL PAYROLL (WPT) TO REVENUES %	69.55	69.45	59.26	59.49	47.92	47.93	63.44	62.81
CARGO HANDLER COMPEN TO REVENUES %	9.94	12.81	0.02	0.03	0.00	0.10	0.61	0.48
LINEHAUL EXPENSES TO REVENUES %	62.23	62.13	81.64	81.06	81.64	81.86	80.01	80.72
REVENUE PER TON-MILE, CENTS	50.60	51.15	11.53	10.49	10.42	10.67	6.80	7.07
AVERAGE LOAD, TONS	4.98	4.01	11.58	12.38	14.49	13.87	17.42	16.59
TOTAL TONS, THOUS	3,712.86	3,723.48	7,006.07	6,946.78	110,613.20	112,458.47	20,286.43	19,337.62
TOTAL MILES, THOUS	788,437.70	940,577.97	236,141.17	243,969.57	926,314.01	961,349.28	911,129.79	854,961.33

AGRICULTURAL PRODUCTS 61				MOTOR VEHICLES 26				BUILDING MATERIALS 90				OTHER SPECIAL COMMODITIES 474				TOTAL SPECIAL COMMODITIES 1010			
1985		1984		1985		1984		1985		1984		1985		1984		1985		1984	
$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%
368.18	100.0	360.13	100.0	1,888.29	100.0	1,766.34	100.0	932.12	100.0	877.54	100.0	4,208.07	100.0	4,139.94	100.0	13,511.51	100.0	13,057.47	100.0
23.52	6.4	19.46	5.4	84.61	4.5	71.82	4.1	48.59	5.2	40.91	4.7	200.64	4.8	181.49	4.4	580.76	4.2	503.36	3.9
114.76	31.2	106.32	29.5	195.58	10.4	192.40	10.9	325.43	34.9	309.39	35.3	1,539.80	36.6	1,525.44	36.8	4,872.62	36.1	4,707.71	36.1
359.88	97.7	346.74	96.3	1,778.03	94.2	1,664.62	94.2	890.86	95.6	834.34	95.1	4,116.90	97.9	4,005.27	96.7	13,167.06	97.5	12,609.82	96.6
8.30	2.3	13.39	3.7	110.26	5.8	101.72	5.8	41.26	4.4	43.20	4.9	89.17	2.1	134.68	3.3	344.46	2.5	447.65	3.4
4.40	1.2	4.09	1.1	13.40	0.7	9.51	0.5	15.05	1.6	14.03	1.6	62.73	1.5	56.34	1.4	186.91	1.4	159.39	1.2
7.10	1.9	10.80	3.0	91.16	4.8	91.65	5.2	31.59	3.4	34.67	4.0	57.06	1.4	114.14	2.8	293.59	2.2	433.46	3.3
0.63	0.2	1.37	0.4	26.38	1.4	24.21	1.4	7.42	0.8	8.77	1.0	6.65	0.2	23.44	0.6	79.43	0.6	127.97	1.0
0.47	0.1	0.49	0.1	6.73	0.4	13.21	0.7	1.16	0.1	0.47	0.1	4.94	0.1	1.67	0.0	18.99	0.1	17.10	0.1
0.14-	0.0	0.05-	0.0	0.57	0.0	0.28	0.0	0.94	0.1	0.65	0.1	1.80	0.0	2.68	0.1	13.31	0.1	15.38	0.1
5.86	1.6	8.88	2.5	58.61	3.1	54.52	3.1	23.96	2.6	26.08	3.0	47.27	1.1	91.71	2.2	208.48	1.5	303.77	2.3
0.03-	0.0	0.05-	0.0	0.66	0.0	0.34	0.0	0.74	0.1	0.03	0.0	1.14-	0.0	3.30	0.1	0.03-	0.0	5.01	0.0
5.82	1.6	8.83	2.5	59.27	3.1	54.86	3.1	24.69	2.6	26.05	3.0	46.12	1.1	95.01	2.3	208.45	1.5	308.78	2.4
14.13	9.5	10.84	8.0	3.64	0.5	32.09	4.9	48.96	11.2	45.71	12.0	183.12	9.5	179.28	10.2	414.90	8.6	423.73	7.6
3.20	2.2	3.21	2.4	50.78	6.6	59.83	9.1	11.10	2.5	10.14	2.7	123.43	6.4	105.77	6.0	344.87	5.5	298.71	5.4
31.55	21.3	26.30	19.3	141.34	18.5	104.28	15.9	71.46	16.3	63.39	16.6	408.99	21.2	375.74	21.4	1,488.19	23.7	1,282.03	23.0
5.16	3.5	4.44	3.3	23.75	3.1	20.71	3.2	21.56	4.9	17.04	4.5	67.03	3.5	54.29	3.1	223.85	3.6	189.71	3.4
2.46	1.7	2.40	1.8	12.07	1.6	13.26	2.0	9.50	2.2	9.95	2.6	32.39	1.7	32.01	1.8	99.04	1.6	103.93	1.9
0.32	0.2	0.33	0.2	2.26	0.3	0.56	0.1	1.50	0.3	1.16	0.3	21.52	1.1	18.86	1.1	103.90	1.7	77.23	1.4
56.82	38.3	47.53	34.9	233.84	30.5	230.73	35.3	184.08	37.5	147.39	38.7	836.49	43.3	765.96	43.6	2,674.75	42.5	2,375.33	42.7
193.02	130.2	181.15	133.0	914.92	119.5	771.84	118.0	443.88	101.3	392.88	103.2	1,949.04	101.0	1,779.21	101.3	5,780.26	91.9	5,176.01	93.0
106.83	72.1	96.80	71.1	461.69	60.3	410.94	62.8	213.83	48.8	197.93	52.0	1,060.92	55.0	965.48	55.0	3,015.64	47.9	2,767.21	49.7
86.19	58.1	84.34	61.9	453.23	59.2	360.90	55.2	230.04	52.5	194.95	51.2	888.12	46.0	813.72	46.3	2,764.63	43.9	2,408.80	43.3
87.39	59.0	85.76	63.0	454.33	59.3	362.20	55.4	233.25	53.3	198.13	52.0	929.11	48.1	855.01	48.7	2,859.24	45.4	2,511.85	45.2
0.57	0.4	0.50	0.4	23.59	3.1	13.33	2.0	2.13	0.5	2.39	0.6	31.08	1.6	16.01	0.9	119.85	1.9	92.72	1.7
3.46	2.3	2.44	1.8	53.96	7.0	47.82	7.3	38.53	8.8	32.95	8.7	133.19	6.9	118.78	6.8	638.10	10.1	583.05	10.5
148.24	100.0	136.23	100.0	765.72	100.0	654.09	100.0	437.98	100.0	380.86	100.0	1,929.83	100.0	1,755.76	100.0	6,291.94	100.0	5,562.95	100.0
4.43	3.0	6.76	5.0	49.64	6.5	51.43	7.9	19.43	4.4	24.27	6.4	101.08	5.2	83.80	4.8	308.61	4.9	249.09	4.5
4.35	2.9	4.68	3.4	4.68	0.6	30.32	4.6	8.39	1.9	9.76	2.6	67.77	3.5	49.51	2.8	162.23	2.6	155.60	2.8
18.32	12.4	11.56	8.5	78.85	10.3	77.59	11.9	33.50	7.6	33.14	8.7	170.34	8.8	157.50	9.0	673.71	10.7	608.58	10.9
1.71	1.2	1.87	1.4	21.71	2.8	16.80	2.6	6.86	1.6	5.69	1.5	27.83	1.4	27.38	1.6	102.13	1.6	91.72	1.6
1.49	1.0	1.77	1.3	20.63	2.7	20.22	3.1	5.52	1.3	6.53	1.7	12.42	0.6	20.87	1.2	74.56	1.2	102.33	1.8
9.28	6.3	8.41	6.2	17.34	2.3	14.13	2.2	34.08	7.8	30.56	8.0	134.41	7.0	114.59	6.5	403.93	6.4	351.32	6.3
2.02	1.4	2.21	1.6	78.98	10.3	69.03	10.6	12.37	2.8	11.23	2.9	62.67	3.3	58.95	3.4	337.07	5.4	310.54	5.6
41.60	28.1	37.25	27.3	271.83	35.5	279.52	42.7	120.14	27.4	121.18	31.8	576.72	29.9	512.61	29.2	2,082.24	32.8	1,869.18	33.6
1.45	1.0	1.87	1.4	58.90	7.7	10.82	1.7	8.68	2.0	10.12	2.7	40.45	2.1	23.00	1.3	354.22	5.6	200.10	3.6
20.82	14.0	19.19	14.1	71.45	9.3	34.13	5.2	121.00	27.6	95.79	25.2	381.98	19.8	336.31	19.2	1,091.85	17.4	885.76	15.9
22.27	15.0	21.06	15.5	130.35	17.0	44.95	6.9	129.68	29.6	105.91	27.8	422.42	21.9	359.31	20.5	1,446.07	23.0	1,085.87	19.5
30.10	20.3	27.60	20.3	88.79	11.6	48.26	7.4	155.08	35.4	126.35	33.2	516.38	26.8	450.90	25.7	1,495.78	23.8	1,237.09	22.2
0.68	0.5	0.40	0.3	3.67	0.5	3.87	0.6	4.12	0.9	4.77	1.3	11.45	0.6	1.23	0.6	80.20	1.0	49.32	0.9
5.23	3.5	4.81	3.5	64.66	8.4	59.53	9.1	15.37	3.5	8.46	2.2	50.27	2.6	41.61	2.4	234.15	3.7	207.20	3.7
69.78	47.1	63.51	46.6	470.52	61.4	387.87	59.3	269.31	61.5	240.32	63.1	1,060.87	55.0	924.76	52.7	3,802.66	60.4	3,211.57	57.7
78.46	52.9	72.71	53.4	295.20	38.6	266.22	40.7	168.67	38.5	140.54	36.9	868.97	45.0	831.00	47.3	2,469.28	39.6	2,351.38	42.3
100.73	67.9	93.77	68.8	425.55	55.6	311.17	47.6	298.35	68.1	246.46	64.7	1,291.39	66.9	1,190.31	67.8	3,935.35	62.5	3,437.25	61.8
148.24	100.0	136.23	100.0	765.72	100.0	654.09	100.0	437.98	100.0	380.86	100.0	1,929.83	100.0	1,755.76	100.0	6,291.94	100.0	5,562.95	100.0
RATIOS		RATIOS		RATIOS		RATIOS		RATIOS		RATIOS		RATIOS		RATIOS		RATIOS		RATIOS	
4.69		4.95		6.40		6.63		5.53		6.24		4.84		4.98		5.43		5.55	
3.66		3.84		4.44		5.68		3.12		3.56		3.26		3.48		3.43		3.80	
4.27		4.27		4.17		4.89		4.05		4.50		4.74		5.09		4.89		5.42	
1.91		1.99		2.06		2.29		2.10		2.23		2.16		2.33		2.34		2.52	
1.93		3.00		4.83		5.19		3.39		3.95		1.36		2.76		2.17		3.32	
7.05		11.52		21.42		29.45		10.59		14.07		4.42		9.59		7.46		12.61	
1.59		2.47		3.10		3.09		2.57		2.97		1.12		2.22		1.54		2.33	
7.47		12.21		19.86		20.48		14.20		16.56		5.44		11.04		8.38		12.92	
8.19		14.15		26.55		32.59		15.06		19.53		7.77		12.62		10.20		15.36	
98.94		97.42		94.87		94.78		97.19		96.68		99.37		98.11		98.85		97.79	
97.75		96.28		94.16		94.24		95.57		95.08		97.88		96.75		97.45		98.57	
6.04		5.90		72.63		67.94		10.36		9.75		8.87		8.73		13.38		12.93	
0.10		0.15		2.25		2.10		0.27		0.29		0.10		0.19		0.21		0.30	
29.99		28.89		149.33		139.26		72.76		66.81		251.05		272.20		774.92		808.85	
15.22		10.28		38.00-		48.79-		43.94		26.21		259.76		253.35		612.51		506.14	
1.37		1.28		0.86		0.83		1.37		1.22		1.45		1.49		1.30		1.27	
16.42		11.36		8.18-		11.17-		18.91		11.98		24.10		24.05		17.66		15.19	
31.27		26.65		27.32		21.55		27.98		26.37		35.49		33.13		40.20		35.84	
0.38		0.38		0.30		0.18		0.92		0.90		0.59		0.54		0.60		0.53	
0.07		0.12		0.37		0.31		0.46		0.50		0.14		0.10		0.19		0.16	
0.39		0.38		0.33		0.19		0.93		0.91		0.62		0.55		0.63		0.55	
323.06		343.62		861.70		985.83		213.51		218.63		186.78		237.55		191.85		230.23	
99.64		104.68		168.25		288.56		46.92		52.88		48.62		60.37		51.81		65.38	
14.62		14.81		15.09		19.71		9.71		11.10		12.15		12.50		12.63		12.88	
1.10		1.16		1.54		1.36		1.36		1.39		1.02		0.98		1.11		1.02	
1.39		1.62		1.69		0.97		1.71		1.48		1.72		1.82		1.78		1.58	
2.53		2.32		4.68		5.08		1.43		1.34		1.49		1.58		1.39		1.43	
1.11		1.18		1.54		1.36		1.38		1.41		1.07		1.03		1.15		1.07	
7.47		12.21		19.86		20.48		14.20		16.56		5.44		11.04		8.39		12.91	
4.21		4.20		4.16		4.88		4.00		4.43		4.53		4.84		4.73		5.20	
19.89		20.84		32.63		32.62		16.56		16.28		17.44		17.30		18.92		18.93	
49.69		49.57		42.14		42.54		54.71		54.98		55.32		55.49		56.17		56.23	
0.09		0.06		0.93		0.97		0.31		0.16		0.42		0.41		2.48		3.08	
85.78		84.09		74.23		75.35		81.97		82.35		79.80		78.11		75.78		75.54	
7.17		7.70		26.95		25.24		7.61		7.41		8.97		9.24		11.63		11.79	
16.07		14.54		7.37		7.29		14.78		15.01		14.16		13.72		12.86		12.16	
8,188.36		8,317.02		27,243.12		24,553.79		33,370.96		31,848.43		128,960.16		128,939.78		339,380.16		336,126.56	
233,548.08		234,943.00		606,983.82		810,283.20		704,198.16		664,192.16		2,418,897.75		2,364,763.00		7,025,850.48		7,065,039.51	

growth has been very strong, leading to revenue improvements far in excess of expense growth. For carriers summarized from the quarterly data, net income has grown over 600%. The operating ratio has declined to less than 95 and the profit margin grown to 3.8%. Results such as these go a long way to a rapid improvement in overall financial posture.

Liquid Petroleum Carriers

The liquid petroleum carriers, similar to the heavy machinery haulers, are looking to a favorable 1986 to negate a rather miserable 1985. In 1985, the petroleum carriers experienced (slight) declines in tonnage, mileage and revenues. Expenses rose a fraction. The result, though, was substantial declines in operating income (off 31.3%) and net income (down 62.6%). Their profitability measures were unfavorable: operating ratio at 98.20; profit margin at 0.37%; return on equity at 1.85%; and return on transportation investment at 5.71%.

Liquidity also declined for the petroleum carriers between 1984 and 1985. Cash throw dropped 8%, and working capital 7%. Their current ratio fell to 1.26 from 1.31, but remains adequate compared to historic norms. Day cash operating expenses covered by working capital also remains adequate although it too declined (from 17 days to 15.5). Cash throw coverage of funded debt slipped in 1985 as well, reflecting the absolute cash throw decline as well as a disproportionate increase in debt.

Debt levels for petroleum carriers increased 11.6% in 1985 although investment in carrier operating property grew only 3.9%. The borrowing increase worsened their debt to equity ratio from 0.67 in 1984 (relatively high) to 0.74 in 1985. Net debt to equity, which reflects funded debt less working capital, is also relatively high at 0.34. Interest expenses associated with debt are very high in the segment, 1.9% of revenues (highest among specialized carriers), and in excess of net carrier operating income. Only certain other positive additions to non-carrier income kept to petroleum carriers out of the "red."

The year 1986, however, promises to paint a much improved picture for the petroleum hauling segment. Although business increases through nine months have been moderate (tons up 2.5%; miles up 4.3%), revenues have risen nicely (7.2%), as has net income -- more than a three fold increase. Their operating ratio has declined to under 95 and profit margin risen to 2.7%.

Refrigerated Product Carriers

The refrigerated product carriers, transporting both refrigerated liquid and solid products (mainly foods), are customarily among the most stable of the specialized carrier segments. They too, however, found profit possibilities rough in 1985. Business per se was not bad -- tonnage up 4.9%; mileage up 6.6%; and revenues increasing 7.6% (best among specialized segments). Like virtually every other carrier group though, expenses increased faster than revenues and income fell. Operating income declined almost 30% (the operating ratio rising to 97.35 from 95.95), and net income dropped 46%. Their profit margin fell to 1.14% from 2.36% in 1984, return on equity, at 7.25% in 1985, was cut in half, and return on transportation investment fell a third to 10.2%.

The refrigerated product haulers have been and remain highly leveraged. Their debt to equity ratio was 0.87 in 1984 and rose to 0.97 in 1985 (worst among specialized carriers) as they increased their amount of funded debt by 16.4% during the year. The borrowings went for fleet equipment, as the net carrier operating property account rose 12.7% over 1984. Except for the household goods carriers, the refrigerated segment has the newest fleet among specialized carriers, less than 45% depreciated. They also use owner-operators extensively, as purchased transportation expenses account for just over half of total revenues. They are second to household goods carriers in intensity of owner-operator use among specialized firms.

The debt level does take its toll on the refrigerated haulers, as interest expenses are about 2 percent of revenues and three quarters of operating income.

The liquidity position of the refrigerated carriers though, is reasonably strong. They experienced an 11.5% rise in working capital, and maintained a sound current ratio at 1.33. Working capital provides for over 18 days coverage of daily cash operating expenses. They did see a minor decline in cash throw, down 1.2%. Cash throw coverage of debt, weak in 1984, became somewhat weaker in 1985.

While 1986 has shown strong improvements in most every segment of trucking, the refrigerated product haulers have seen only moderate gains. Business has been very healthy, with tonnage up 8.5% and mileage 9.4%. Revenues have also grown a significant 8.75%, but expenses have kept pace. As a result, net income has risen only a modest 9.4%, up to be sure, but likely a disappointment in light of the business gains. Their nine month operating ratio, at 96.12, is little improved from 1984 as is their profit margin -- 1.95 compared to 1.94.

Agricultural Commodities Carriers

The agricultural commodities haulers, part of the food movement chain of their refrigerated carriers peers, are in sounder overall financial condition. They are far less leveraged, just as liquid, and similar in profitability. They experienced slower business in 1985, but are finding greater improvements in 1986.

For agricultural commodities carriers, 1985 saw a slight 1.5% drop in tonnage and 0.6% decline in mileage. Revenues rose a modest 2.2%, but operating income and net income fell by more than a third. Their operating ratio rose from 96.28 to 97.75 and the profit margin fell to 1.59% from 2.47%. Correspondingly, other profitability measures declined: return on equity from 12.21% to 7.47%; and return on transportation investment to 8.19% from 14.15%.

Despite the profitability decline, liquidity improved overall for the "ag" carriers. Cash throw grew 3.8%. Working capital increased 48%. The working capital gain strengthened the current ratio to 1.37 from 1.28 and enhanced coverage of daily cash operating expenses to 16 days from 11 a year earlier. Cash throw coverage of debt remains very strong: all debt could be paid off in

one year if cash throw were applied exclusively to this end.

The segment did add moderately to debt levels in 1985, by 9%, but maintained their debt to equity ratio at 0.38, among the lowest of the specialized segments. Interest represent but 1.2 percent of revenue, also low among specialized carriers, although it was the equivalent of half their operating income.

Thus, 1985 was trying to the agricultural carriers, and despite the decline in profits, they emerged in relatively healthy shape going into 1986.

Through nine months of 1986, fortunes have turned upward for the segment. Their tonnage has improved 5% and mileage 6.6%. While revenue growth has been a more modest 4.2%, expenses have been held in line to the tune of a 94% gain in net income. Their nine month operating ratio stands at 95.70, down substantially from 1985, and their profit margin has almost doubled to 2.95%.

Motor Vehicle Haulers

The motor vehicle haulers were far and away the strongest performers in the specialized carrier segment in 1985, and except for a weak liquidity position, would be virtually top ranked in the industry. While mileage was flat for the auto haulers, they experienced an 11% growth in tonnage. This led to a 7% gain in revenues. Among all specialized carriers, they were the only group able to hold expenses at bay, and thus showed an 8.4% gain in operating profits and an 8% growth in net profits. Their operating ratio is lowest among specialized carriers at 94.16, and their profit margin, at 3.1%, the highest. Similarly, their 19.86% return on equity and 26.55% return on transportation investment rank highest by far compared to the other specialized groups.

The weak liquidity position of the motor vehicle haulers is indicated foremost by their current ratio in 1986 of 0.86. Being under the 1.00 threshold, current liabilities exceed current assets. As such, working capital is negative, providing no coverage whatsoever of daily cash operating expenses. Nevertheless, the carriers continue to operate strongly, which tells one how important many "ratios" are as other than general financial indicators. The auto haulers did manage to increase cash throw 7.3% from 1984.

The funded debt to equity level of the motor vehicle carriers was 0.30 in 1985, lowest (best) among the specialized carriers, despite a whopping 84% increase in amount of funded debt taken on between 1984 and 1985. In 1984, their debt to equity ratio had been a very low 0.18. Because of the new debt, interest expenses paid in 1985 rose by 41%. However, with funded debt levels low to begin with, the interest burden remains minimal, taking only 0.7% of revenues and 12.2% of operating income -- both lowest among specialized carriers.

Growth has slowed off considerably for the auto haulers in 1986. Mileage is up 3.5% and tonnage 2.8%, but revenues have risen only 2%. Expenses have exceeded revenues, thus causing operating income to fall and the the operating ratio to rise. Still, they have been able to show a gain in net income of 17.8% through nine months. It will be interesting to see how the low interest rates offered by dealers on new car sales in the latter months of 1986, leading to record sales, affected the volume hauled by the carriers, and their financial results.

Building Materials Haulers

The building materials carriers were generally able to maintain a status quo position in 1985 with year earlier results. Revenues increased 6.2% on the strength of a 4.8% gain in tonnage and 6% growth in mileage. Expenses increased slightly faster than revenues, but the damage to earnings was minor. Operating income declined only 4.5% and net income, 5.2%. Their operating ratio rose to 95.57 from 95.08 and their profit margin fell to 2.57% from 2.97%. These carriers (among the specialized carrier segments) were second only to motor vehicle haulers in these financial measures, as well as in return on equity (14.2%) and return on transportation investment (15.06%).

Liquidity increased across the board for the building materials carriers. Their current ratio rose sharply to 1.37 from 1.22 as working capital grew 67.6% This growth improved coverage of daily cash operating expenses from 12 to 19 days. Cash throw also grew despite the earnings slip, increasing 8.9%.

The carriers increased their investment in carrier operating property by 13% in 1985, and in so doing increased their debt level by almost 23%. They are and remain highly leveraged, with debt to equity at 0.92 in 1985 compared to 0.90 in 1984. It would require more than two years of applied cash throw to pay off all funded debt for the building materials carriers, a slightly longer time frame than would have been required at year end 1984.

Interest expenses are somewhat high for the building materials carriers, at 1.6% of revenues, but reasonable relative to operating income (36.48%) within the specialized carrier segments.

The group of buildings materials haulers ranks fairly strong among their truckload peers, but could stand to reduce debt levels to further strengthen their financial posture.

Through nine months of 1986, the building materials carriers appear on a sound track of improvement in earnings. They have seen tonnage growth of 7.4%, mileage gains of over 5% and revenues up similarly. Expense growth has been maintained at under 3%, providing for a 65% growth in net income. Their operating ratio is under 94 (down from 95.7) and their profit margin over 4% (up from 2.6%).

Other Specialized Carriers

The carriers embraced by this grouping include a wide variety of firms operating in diverse segments of trucking. From dump trucking to armored car service; film and associated commodities to forest products; mine ores to retail store delivery service to dangerous or hazardous materials, this is one of the most heterogeneous groups of carriers. In the main, none of the specifically mentioned segments above have enough carrier representatives in the data base to afford a seperate and valid analysis of their results.

This group also includes carriers described as "specific commodities not else-

where classified." This would include the largest representation of truckload firms, those dry van operators who haul anything, anytime, anywhere. They also would be extremely difficult to group in any meaningful separate way; thus they're grouped here.

These other specialized carriers showed, in total, no tonnage growth in 1985, although mileage increased 2.3%. Their revenues grew 1.6%, but earning fell in the face of a higher increase in expenses. Operating income was down a third and net income cut in half comparing 1985 with 1984. Their composite operating ratio rose to 97.88 from 96.75 and their profit margin fell to 1.12% from 2.22% a year earlier. Return on equity was down to 5.44% from 11.04%, and return on transportation investment fell to 7.77% from 12.62%.

Liquidity in the group is fairly strong, although there was slight deterioration from 1984. Working capital grew 2.5% in dollar amount but the current ratio fell slightly to 1.45 from 1.49. Their coverage of daily cash operating expenses from working capital was unchanged at 24 days. Cash throw, however, declined 7.8%.

These carriers, like so many of the other groups, experienced a disproportionate increase in debt in 1985. While investment in carrier operating property increased 9.5%, debt levels rose 14.5%. The debt to equity ratio increased to 0.59 from 0.54. Their potential coverage of debt with cash throw slipped. The interest burden from debt increased, interest taking 1.5% of revenues -- up from 1.4%, and 70% of operating income -- up from 42%. Their results, in short, mimic those of most of the other carrier groups in this 1986 Financial Analysis.

For this segment of other specialized carriers, results through nine months of 1986 are relatively flat. Tonnage is showing virtually no growth, and mileage is up a minor 1%. Revenues are up slightly higher (3.2%), and expense increases have moderated. Their operating ratio shows about a 1 point improvement, but net income is virtually unchanged. Except for the down year in profits experienced by household goods carriers during 1986, this other specialized carrier group would be the lagging segment, failing to share in an otherwise prospering environment.

SUMMARY SCORECARD

The 1984 and 1985 Financial Analyses of the Motor Carrier Industry used this Summary Scorecard section as a means of comparing and contrasting carrier group performance on a relative basis. In those reviews, the scorecard served to distinguish and differentiate groups in a 1983 environment of widespread improvement, and then in 1984 in a situation of general financial decline. The 1985 results also show profit declines and debt increases, but improved liquidity, as the scorecard results will indicate.

There are two main sections of the Summary Scorecard, the first showing change year to year, and the second section, the relative standing of a group. A particular group may have shown deterioration in profits, for example, but still rank among the most profitable groups in the industry. Likewise, another group may have improved profits, but rank among the lowest in the business.

In evaluating how a carrier group has fared from 1984 to 1985, the first part of the Summary Scorecard, three caregories of change are possible -- improving; stable; or worsening (declining). Each carrier group is evaluated on four criteria: 1) business conditions; 2) profitability; 3) liquidity; and 4) leverage.

Carrier groups were evaluated based on their actual change for the year, supplemented where appropriate by relative performance. A group whose mileage, tonnage and revenues rose substantially would show up as improving, considering that industry revenues rose modestly, tonnage declined and mileage was flat. Another group that achieved results mirroring industry changes (modest revenue rise, flat tonnage and mileage) would be characterized as stable, even though, their revenues improved in an absolute sense.

The second main section of the Summary Scorecard shows the relative standing or position of each group. For this purpose, the 32 individual carrier groups were divided into quartiles. The top 8 carrier groups comprise the upper quartile; the bottom 8 the lower quartile. The two middle quartiles contain the remaining 16 carrier groups.

In this quartile rating scheme, carrier groups are ranked on various measures of profitability, then liquidity and leverage. These ranks are then summed and, based on the sum, reranked to determine the position of the carrier group and the quartile into which it falls.

For profitability, each group's overall ranking and thus position within quartiles was determined by summing the group's rank for four individual profitability measures:

1) operating ratio
2) net profit margin
3) return on equity
4) return on transportation investment

For liquidity rankings, four measures were also used:

1) current ratio
2) average days of expenses in working capital
3) average day's collection period
4) cash throw to current portion of funded debt

Five measures were used to evaluate the leverage of the groups:

1) funded debt to equity
2) cash throw to funded debt
3) funded debt to revenues
4) funded debt to net carrier operating property
5) interest expense as a percent of revenues

Finally, the overall position of each group was determined by its standing in each of the three major measures covered above, the best position being associated with strong profitability, strong liquidity and low debt. In the overall ranking, U reflects the upper quartile, L the lower quartile and M the middle two quartiles.

The Industry's Top Achievers

The carrier groups achieving the best relative performance in 1985, being in the upper (U) quartile on overall measures of profitability, liquidity and leverage, are:

General Freight

Group A - **Middle Atlantic Region** - on the basis of sound profitability and leverage position, plus superior liquidity.

Group A - **Northwestern Region** - strong profitability and leverage positions coupled with the second best liquidity position in the business.

Group B - **New England Region** - the industry's best leverage standing, number 3 ranking in liquidity, plus strong profitability.

Group B - **Pacific Region** - superior rankings across the board, in profits, leverage and liquidity.

Group C (C-1) - **Length of Haul under 250 Miles** - strength in profitability and leverage position compensate for adequate liquidity.

Group C (C-2) - **Length of Haul under 250 Miles** - industry's best liquidity position, second best profitability and superior leverage ranks this group as the overall number one group in the industry.

Group C (C-2) - **Length of Haul of 500 to 750 Miles** - second best in leverage position, coupled with superior profitability and liquidity places this group as, overall, number 2 in the industry.

Specialized Carriers

Group D - **Motor Vehicle Haulers** - industry's best profitability, and excellent leverage position offset adequate liquidity position.

SCORECARD CHARTS

GROUP A		IMPROVED	STABLE	WORSENING	UPPER QU SUPERIOR	MIDDLE QU ADEQUATE	LOWER QU SUBPAR	OVERALL
NEW ENGLAND	Business Conditions		X					M
	Profitability			X		X		
	Liquidity	X				X		
	Leverage		X			X		
MIDDLE ATLANTIC	Business Conditions		X					U
	Profitability		X			X		
	Liquidity	X			X			
	Leverage		X			X		
CENTRAL	Business Conditions			X				M
	Profitability			X			X	
	Liquidity	X				X		
	Leverage		X			X		
SOUTHERN	Business Conditions			X				M
	Profitability			X			X	
	Liquidity			X		X		
	Leverage			X		X		
NORTHWESTERN	Business Conditions	X						U
	Profitability	X				X		
	Liquidity		X		X			
	Leverage	X				X		
MIDDLEWESTERN	Business Conditions			X				M
	Profitability	X					X	
	Liquidity	X				X		
	Leverage	X				X		
SOUTHWESTERN	Business Conditions			X				L
	Profitability		X				X	
	Liquidity	X				X		
	Leverage			X			X	
ROCKY MOUNTAIN	Business Conditions			X				M
	Profitability	X				X		
	Liquidity			X		X		
	Leverage	X			X			
PACIFIC	Business Conditions			X				M
	Profitability		X			X		
	Liquidity	X				X		
	Leverage		X			X		

GROUP B		IMPROVED	STABLE	WORSENING	UPPER QU SUPERIOR	MIDDLE QU ADEQUATE	LOWER QU SUBPAR	OVERALL
NEW ENGLAND	Business Conditions			X				U
	Profitability	X				X		
	Liquidity		X		X			
	Leverage		X		X			
MIDDLE ATLANTIC	Business Conditions		X					L
	Profitability		X			X		
	Liquidity	X					X	
	Leverage		X			X		
CENTRAL	Business Conditions		X					M
	Profitability			X			X	
	Liquidity			X		X		
	Leverage			X		X		
SOUTHERN	Business Conditions		X					M
	Profitability	X				X		
	Liquidity	X				X		
	Leverage	X				X		
NORTHWESTERN	Business Conditions			X				L
	Profitability			X			X	
	Liquidity			X			X	
	Leverage			X		X		
MIDDLEWESTERN	Business Conditions	X						M
	Profitability		X		X			
	Liquidity			X			X	
	Leverage		X			X		
SOUTHWESTERN	Business Conditions	X						L
	Profitability			X		X		
	Liquidity			X			X	
	Leverage			X			X	
ROCKY MOUNTAIN	Business Conditions		X					M
	Profitability		X			X		
	Liquidity			X	X			
	Leverage		X				X	
PACIFIC	Business Conditions		X					U
	Profitability	X			X			
	Liquidity		X		X			
	Leverage		X		X			

GROUP C		IMPROVED	STABLE	WORSENING	UPPER QU SUPERIOR	MIDDLE QU ADEQUATE	LOWER QU SUBPAR	OVERALL
C-1	Business Conditions	X						U
<250	Profitability		X		X			
	Liquidity			X		X		
	Leverage		X		X			
C-1	Business Conditions	X						L
>250	Profitability			X		X		
	Liquidity	X					X	
	Leverage			X		X		
C-2	Business Conditions		X					U
<250	Profitability	X			X			
	Liquidity	X			X			
	Leverage	X			X			
C-2	Business Conditions			X				M
250-500	Profitability		X			X		
	Liquidity			X		X		
	Leverage		X			X		
C-2	Business Conditions		X					U
500-750	Profitability	X			X			
	Liquidity			X	X			
	Leverage		X		X			
C-2	Business Conditions			X				M
>750	Profitability			X	X			
	Liquidity			X		X		
	Leverage			X	X			

GROUP D		IMPROVED	STABLE	WORSENING	UPPER QU SUPERIOR	MIDDLE QU ADEQUATE	LOWER QU SUBPAR	OVERALL
HOUSEHOLD GOODS	Business Conditions		X					L
	Profitability			X		X		
	Liquidity	X					X	
	Leverage			X		X		
HEAVY MACHINERY	Business Conditions		X					L
	Profitability			X			X	
	Liquidity	X				X		
	Leverage			X			X	
PETROLEUM PRODUCTS	Business Conditions		X					L
	Profitability			X			X	
	Liquidity			X			X	
	Leverage		X				X	
REFRIGERATED	Business Conditions	X						M
	Profitability			X		X		
	Liquidity		X				X	
	Leverage			X			X	
AGRICULTURAL	Business Conditions		X					M
	Profitability			X		X		
	Liquidity	X			X			
	Leverage		X			X		
MOTOR VEHICLE	Business Conditions	X						U
	Profitability		X		X			
	Liquidity		X			X		
	Leverage			X	X			
BUILDING MATERIALS	Business Conditions	X						M
	Profitability		X		X			
	Liquidity	X				X		
	Leverage		X				X	
OTHER SPECIALIZED	Business Conditions		X					M
	Profitability			X		X		
	Liquidity		X			X		
	Leverage		X				X	

CARRIER PERFORMANCE DURING 1986

Profits Pick Up in 1986; Reverse Trend of Declines

Off the declines of 1985, motor carrier earnings began to rapidly improve in 1986, mainly the product of fuel price declines, with some increases in business levels. The table to the right shows the vast improvements cumulatively through nine months of 1986 compared to 1985. The impressive percentage gains in profit measures for most segments in trucking produce a **level** of earnings about on par with industry results of the mid to late 1970's.

The nine months 1986 progress, covered previously in appropriate sections of the carrier group analyses, indicate where the carriers stood at the end of September, but not how they got there, which will be the focus in this section on Carrier Performance during 1986. We'll look only at major carrier segments, that is, general freight, specialized and household goods, and not every individual group as in the body of the Analysis.

Note also that the period and year to date results are taken from quarterly reports filed with the I.C.C. Invariably fewer carriers are represented than on an annual basis, due mainly to different reporting requirements. Many carriers with revenues less than $5 million are presently exempt from quarterly report filing. Also, no contract carrier files interim reports. Thus, the quarterly statistics indicate more the direction of change than "final" results. Moreover, they can differ from final results to the extent large carriers achieve results dissimilar than smaller firms.

The motor carrier industry, a cyclical business, is "best" compared on a year over year basis. Yet, given the tenuous situation many carriers have found themselves in, how they perform from last quarter to this can mean the difference between being around tomorrow or not. With this in mind, we'll emphasize the quarter to quarter progression, but also review year over year quarterly results

• First Quarter: A Slow Start from Last Winter but Sound Improvements from a Year Earlier

From the fourth quarter of 1985 and year end holiday season, 1986 was ushered in with slackened business. Tonnage dropped a percent for all carriers, mileage by 3%, and revenues fell 4.4%. The carriers were still feeling pressures in certain operating expenses, among them insurance costs (up 5.1%), communication and utilities (up 5.4%) and fringe benefits (up 1%).

However, a delayed Christmas present awaited the industry, the initiation of fuel price declines. From a peak price of $1.33 a gallon on January 6, 1986, fuel prices began a weekly spiral, and by the end of March had plummetted to under $1.05 per gallon. For the industry, this translated into a 10% reduction in operating supplies and expenses, the account embracing fuel costs. Other variable expenses were also pared back, leading to a 4.5% decline in total operating expenses. The result was a minor 2% drop in operating profits, but a slight improvement in the operating ratio - from 97.2 to 97.1.

Trucking profits improved far more, resulting mainly from reduced payments of deferred taxes. The bottom line more than doubled, producing a profit margin over 1.3% from the fourth quarter's 0.6%.

The specialized carriers performed "best" among the segments from the fourth quarter. They improved revenues fractionally (0.2%) on improved mileage (up 1.4%) despite some limited slippage in tonnage (off 0.4%). Operating income improved almost 40% as expenses declined a slight 0.5%, and their bottom line almost doubled.

General freight carriers also saw a doubling of net income despite heavier business declines. Tonnage dropped 1.6%, mileage 4.6% and revenues fell 5.5%. However, expenses declined slightly faster (5.7%) leaving operating income virtually unchanged. A far lower deferred tax outlay led to the improved bottom line.

The household goods companies had a miserable first quarter. Tonnage fell almost 14% from the fourth quarter, mileage by over 15%, dropping revenues 13.4%. They couldn't pare back expenses nearly as fast, ending with both an operating loss and a net loss, compared to profits in the fourth quarter.

While not strong compared to the fourth quarter, 1986's initial quarter was a far improvement over the first quarter 1985 (for other than household goods carriers). On this comparative basis, tonnage was up 3.4% for all carriers, mileage 4.4% and revenues, a healthy 6.2%. Despite a 31.4% rise in insurance expense levels from 1985's initial quarter, total operating expenses grew only 4.6%. Again, the fuel price decline was largely responsible. The result was that both operating income and net income more than doubled. The operating ratio improved from its year earlier 98.6, as did the profit margin from its earlier first quarter 0.6%.

Both specialized carriers and general freight experienced business increases, revenue gains and substantial improvements in net income. Household goods carriers, on the other hand, incurred substantial losses despite business gains as revenues couldn't keep pace with expenses.

• Business Surges in Second Quarter; Profits Advance as Fuel Prices Fall Further

The arrival of spring invariably signals increased activity for the trucking industry, and improved weather affords marginal reductions in operating expenses associated with the cold in general as well as treacherous road conditions and operating interruptions. These factors, coupled with the continuing decline in fuel prices, led to substantial gains for motor carriers in 1986's second quarter.

From first quarter 1986 levels, tonnage in the second quarter shot up 12.5% for all carriers. Mileage also grew 6.7%. These resulted in a revenue gain of 7.8%. Total operating expenses increased a much slower 3.8% as fuel prices fell to the 96 cent a gallon level, thereby affording the industry a 10.7% reduction in operating supplies and expenses. Communication and utility expenses also fell in absolute terms, as did miscellaneous expenses. These declines offset some rapid increases in other area, such as insurance and building and office equipment rents.

The favorable revenue over expense spread produced a 125% gain in operating profits and a better than

3.5 point drop in the operating ratio - down to 93.2. Beneficial changes also materialized in other adjustments to income, allowing net income to almost triple, producing a 3.9% profit margin.

In this comparative period, as households and businesses began their customary mid-year relocations, the household carriers broke out nicely from the first quarter doldrums. They achieved gains of over 20 percent in tonnage and mileage, leading revenues to a 26% growth. Operating and net profits were generated compared to quarter earlier losses, but margins remained weak (operating ratio 97.8; profit margin 1.0%).

Specialized carriers accelerated the improvements the felt in the first quarter. Their freight volume grew over 15%, and mileage and revenues by over 7%. Operating income tripled, producing a 94.1 operating ratio, and net income increased a resounding 500 plus percent. Their profit margin closed in on 3.7% from well under 1% in the first quarter.

The general freight carriers, while not showing as strong an increase in growth as other segments, ended the second quarter in the best overall shape. Their operating ratio fell to 92.6 and profit margin rose to 4.2% on a doubling of operating and net profits. They achieved a 6.6% revenue gain on 7% more tonnage and 5% greater mileage.

Looking at these results compared to 1985's second quarter, the improvements are still quite evident. All carriers achieved mileage and tonnage gains over 4.5% and revenue growth of 6.6%. Overall expenses rose but 3.9% as fuel (down 14%) and miscellaneous expense (down 9.4%) declines compensated for insurance increases (up 29.4%). Operating and net profits grew by over 50%.

By segment, the household goods carrier's sizable gains over the first quarter 1986, actually resulted in no improvement against last year's second quarter - a minor growth in tonnage, but none in revenues and declines in profits. Specialized carriers, also, showed only slim growth in this comparison - low single digit gains in tonnage, mileage and revenues. Profits, though, did improve for them about 25%.

The stronger performers were the general freight segment, with mileage and tonnage up in the 5% range, and revenues up near 9%. They

RESULTS OF OPERATIONS NINE MONTHS 1986 VS. 1985
CLASS I FEDERALLY REGULATED MOTOR COMMON CARRIERS OF PROPERTY
(PERCENT CHANGE IN OPERATING REVENUES & OTHER FINANCIAL & OPERATING STATISTICS)

Description	Operating Revenues	Total Operating Expenses	Interest Expense	Income Taxes	Net Income	Total Vehicle Miles	Total Tons of Revenue Freight	Operating Ratio 1986/1985	Net Profit Margin (%) 1986/1985
U.S. Total	6.72%	4.69%	3.47%	22.70%	49.29%	5.22%	3.19%	94.26/95.88	3.30/2.46
General Freight	7.59	4.92	(3.53)	92.22	61.77	6.17	3.19	93.51/95.53	3.64/2.58
Specialized Carriers	5.00	3.59	4.01	69.26	46.95	4.10	2.91	95.35/96.65	2.71/1.93
Heavy Machinery	7.50	2.97	10.49	559.10	604.02	9.21	25.50	94.59/98.75	3.79/0.58
Liquid Petroleum	7.24	4.07	(3.71)	2253.44	265.97	4.33	2.48	94.78/97.67	2.72/0.80
Refrigerated Products	8.75	8.64	1.30	19.00	9.41	8.48	9.36	96.12/96.21	1.95/1.94
Agricultural Commodities	4.24	2.48	34.18	112.31	93.73	6.57	5.02	95.70/97.34	2.95/1.59
Motor Vehicles	1.98	2.13	60.69	(1.15)	17.80	3.47	2.84	95.78/95.64	2.40/2.08
Building Materials	5.09	2.88	11.59	72.22	65.22	5.55	7.42	93.67/95.68	4.06/2.58
Other Specialized Carriers	3.23	2.38	(0.80)	28.81	1.78	1.10	0.27	95.62/96.42	2.73/2.77
Household Goods	4.74%	5.70%	42.22%	(26.29)%	(22.18)%	3.66%	13.01%	97.68/96.79	1.99/2.67

managed a nice profit gain near 75%.

• Third Quarter Activity Slows and Earnings Slip; Expenses Stabilize

The spurt in second quarter motor carrier activity slowed and then declined into the late summer months of the third quarter. Also, the drop in fuel prices appeared to have run its course, dropping to 90 cents a gallon by the first week of August, but then bouncing up to close at 95 cents a gallon by quarter's end. The result was a generally stagnant three months for the financial condition of the industry.

For all carriers, mileage was flat from the second to the third quarter, and tonnage declined 3.4%. Revenues managed a modest 1% improvement (mainly reflecting the household goods sector), with expenses growing just slightly faster. The mid-quarter dip in fuel prices prior to the bounce up afforded some reduction in operating supplies and expenses (down 4.8%),. but these were extremely modest "savings" compared to the first half of the year. On the other hand, the insurance expense rise also seemed to peak, growing but 3.5% from the earlier quarter. Indeed, for the first time in probably four to five years, there were no exceptional changes in any of the operating expense categories.

The slowdown and slightly higher expense increase had a minor negative impact on earnings. Both operating and net profits declined about 3%, leaving the operating ratio fractionally higher at 93.5 and the net profit margin lower at 3.8%.

The largest dent in results occurred among the specialized carriers. Their earnings declined nearly 25% as revenues fell - reflecting declining business - and operating expenses failed to fall commensurately. Their operating ratio eroded to a 95 and profit margin declined to no better than 3%.

General freight carriers also had a downturn, although more moderate than their specialized brethren. Although mileage improved about a percent, tonnage fell by the same level. Expenses grew fractionally while revenues dropped a tenth of a percent. The result was an 8% drop in earnings, a minor rise in operating ratio and decline in profit margin.

Household goods carriers, on the other hand, experienced a sound third quarter. A substantial 16% tonnage gain produced revenue increases of over 21%. Expenses were held at bay, allowing earnings to more than triple. Their third quarter profit margin plunged to 94.4 and profit margin soared to 4.2%.

Despite the slowdown from the second quarter, third period 1986 results continued to mark improvements from last year's third quarter. Tonnage remained 3.5% better and mileage 5.6% for all carriers. Revenues were up 6% and earnings 33%. In this year over year comparative period, insurance expenses were still showing substantial increases, and fuel expenses, rapid declines. All segments showed across the board gains, some better than others. The household goods carriers had the best tonnage and revenue growth, but the least improvement (15%) in net income. Specialized carriers had the least growth in tonnage and revenues, but the highest percent gain in net income (70%). General freight firms fell between the two, improving the bottom line almost 30%.

Results for nine months, as mentioned previously, are in the table reproduced on the preceding page.

At this writing, fourth quarter and year end results are just beginning to flow into the Interstate Commerce Commission. Very early preliminary data indicate that the slowdown seen in the third quarter is continuing into the fourth. This will put a slight damper on the earnings growth achieved through nine months, but will result in 1986 remaining much improved over 1985. It's unfortunate to end the year on a downturn, but leaves room in 1987 to achieve even better results.

American Trucking Associations
2200 Mill Road
Alexandria, VA 22314